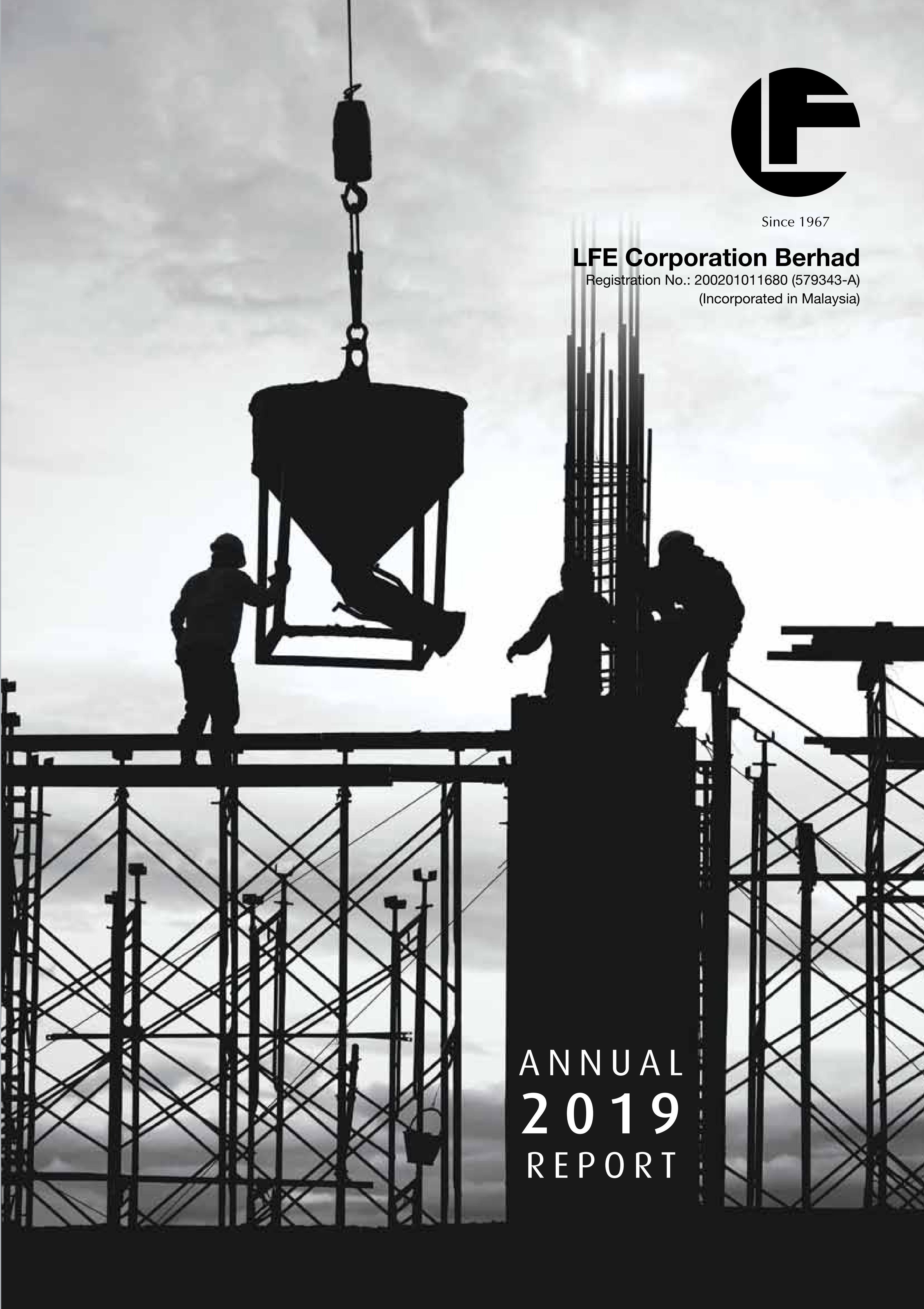


Since 1967

LFE Corporation Berhad

Registration No.: 200201011680 (579343-A)
(Incorporated in Malaysia)

ANNUAL
2019
REPORT

TABLE OF CONTENTS

MANAGING DIRECTOR'S STATEMENT

Dear Valued Shareholders

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of LFE Corporation Berhad ("LFE" or the "Group") for the financial year ended 31 December 2019.

Corporate Highlights

Financial Review

For the financial year ended 31 December 2019 (FYE 2019), the Group recorded higher consolidated revenue of RM18.86 million, an increase of RM5.11 million or 37% as compared to the previous year's revenue of RM13.75 million. Revenue is derived mainly from existing projects in Malaysia solely from the construction, mechanical, electrical and plumbing segments, the Group's core business and industry.

The Group has successfully achieved a turnaround in its financial performance by registering a profit after tax of RM0.117 million vis-à-vis a loss after tax of RM10.57 million in the preceding financial year. This achievement was a result of the strong performance of its Property Construction and Mechanical & Electrical (M&E) business segment, despite the challenging economic environment of the markets where the Group operates.

Further details on the Group's financial performance is set out in the "Management Discussion and Analysis" section of the Annual Report.

Review of Business Operations

As of 22 April 2020, the Group has successfully secured a new project and 4 sub-projects. These new projects have contributed approximately RM53.6 million of order book for the Group. New projects secured located at the state of Selangor.

In the new project, the Group has been awarded the construction of civil and structural works of the Carpark and podium for a residential building located at Ara Damansara, Selangor. The project's contract sum is approximately RM19.1 million and will take approximately 12 months to complete.

Another 4 sub-projects awarded to the Group are electrical work, fire protection work, hydraulic service and air conditioning & mechanical ventilation(ACMV)services for the residential building. Total contact sum of the projects is RM34.5 million and the anticipated duration is about 26 months.

Future Prospect

While working on the secured projects the Group will continue to actively pursue and bid for many more new projects in the mechanical, electrical engineering, plumbing and construction sectors locally and regionally, either on its own or through strategic alliances with established local and foreign partners. With the above new projects, we hope this will enhance the shareholders' value and strengthen the Group's financial foundations in the long run.

Sustainability

For the coming years, the construction sector is expected to remain challenging with the uncertainties on the global economy and domestic market. Taking into consideration the challenging market outlook, the Group also adjusted its mid-term strategy, including evaluate and consolidation of the internal business structure and operation; continue to assess the ongoing risks of any operational and financial impacts; improvement of cost control; and actively look for new opportunities for growth and diversification. The Group further believes that sustainability at the core of its business operations will drive long term business growth, build a strong workplace culture and establish mutually beneficial relationships with its stakeholders.

Corporate Governance

LFE Group has in place a corporate governance structure and processes which are detailed in the Corporate Governance Overview Statement, Statement on Risk Management and Internal Control and Corporate Governance Report sections of the Annual Report.

Board Composition

There were several changes to the Board since the last Annual General Meeting. I would like to take this opportunity to welcome Mr Goh Chee Hoe, the Executive Director along with Ms Tng Ling Ling who was appointed as an Independent Non-Executive Director, both on 30 October 2019. I am confident they will augur well with the Group with their wealth of experience and knowledge of their respective fields.

I would also like to record our sincere appreciation to Dato' Sri Haji Shafiz, Encik Mohd Amin Bin Abbas, Mr David Low Teck Wee and Ms Juliana Quah Kooi Hong who have stepped down from the Board, on 26 August 2019, 9 January 2020 and 9 June 2020 respectively, for their invaluable contribution and commitment to the Group over the years.

Acknowledgement

On behalf of the Board of Directors, I wish to express our gratitude and utmost appreciation to our valued stakeholders – customer, supplier, contractors, government agencies, the Securities Commission, Bursa Malaysia Securities Berhad and other authorities for their invaluable advice and assistance. And also to our shareholders for their continuous support and confidence in the Group.

Also, I would like to take this opportunity to thank our Board for your continued wisdom, guidance and support in helping us grow and express the appreciation to the Management and staff for their unwavering resolve and perseverance in achieving our shared goals and aspirations.

LIEW KIAM WOON
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis is a review of the business and operations, current financial year financial results and conditions, risks and uncertainties and outlook for LFE Corporation Berhad Group ("LFE", the "Group", the "Company") and should be read in conjunction with the Group's audited financial statements and the accompanying notes for the financial year ended 31 December 2019.

FINANCIAL PERFORMANCE

Revenue

For the FYE 31 December 2019 (FYE 2019), the Group recorded a consolidated revenue of RM18.86 million, an increase of RM5.11 million or 37% as compared to the previous year's revenue of RM13.75 million. Major increment of revenue contributed by the new project located at Selangor and several ad-hoc works secured during the financial year. The SAP project, a construction of civil and structural work of the Carpark and podium for a 28 floors high-rise residential building located at Selangor, contributed about RM7.5 million or approximately 39.8% of total revenue.

Besides the new project above, the revenue mainly derived from RuMa project, Hotel & Residence project located in Kuala Lumpur and several ad-hoc works, such as the interior renovation for the hotel & residence located at Kota Bharu. The existing projects are solely concerned in the construction, mechanical, electrical and plumbing services, the Group's core business and industry.

Gross Profit Margin (GP)

For the FYE 2019, the Group recorded Gross Profit (GP) Margin of RM4.29 million or the GP margin of 23% compared to previous year GP Margin of 8.16%. Improvement of GP Margin of the Group compared to the previous year is a positive result of close monitoring on internal project management and higher cost-oriented management.

Administration Expenses

The Group incurred RM 3.21 million of administration cost, inclusive of depreciation on property, plant and equipment for the FYE 2019. The monthly average administrative expenses have decreased from an average of RM0.32 million per month in FPE 2018 to an average of RM 0.27 million per month in FYE 2019 due to various cost-cutting measures. The monthly average of staff cost has decreased from RM0.105 million to RM0.073 million per month while the monthly average of directors' remuneration has decreased from RM 0.103 million to RM0.085 million per month compared to the previous year. The significant decrease in staff costs and director remuneration is due to the consolidation of the operation process and centralisation of the main office. Besides that, the rental of premises and travelling cost also reduce 43% and 68% respectively due to the closure of the oversea office in the previous year. Depreciation of property, plant and equipment also reduce 46% as most assets being fully depreciated during the year or written off on the previous year.

Share of Loss from Joint Ventures

The share of expenses incurred in joint ventures mainly is share of routine operation cost of the Joint Venture (JV). The JV branch office located at Abu Dhabi has remained dormant during the year and the operation cost is on the minimum level. The management is discussing with the Joint Ventures' Partner to further reduce the operation cost or possibilities of close down the oversea division without affecting the collection of trade receivables in the Joint Ventures.

Other Operating Expenses

The operating expenses amounted to RM1 million for FYE 2019. The other operating expenses are mainly on defect liability expenses for RM0.36 million and expenses for overseas subsidiary and associated company which amounted to RM0.38 million. The Group also incurred RM 0.22 million on Expected Credit Loss on trade receivables and contract asset by adopting new accounting policies of "MFRS 9 Financial Instruments".

Finance Cost and Gearing

The finance costs reduced significantly from RM0.48 million for FPE 2018 to RM0.21 million for FYE 2019 due to fully settlement of Group's outstanding loan on first half of FYE 2019. The finance costs for FYE 2019 are made up of interest on overdraft facilities of RM0.01 million incurred on early of the year and interest on advances from the director of RM0.20 million. During FYE 2019, the Group has fully settled all bank borrowing including RM0.24 million bank overdrafts outstanding on the previous year. Hence, there is no bank borrowing and overdraft as of 31 December 2019 except for advances from Director amounting to RM2.58 million. The objective of the Group on capital management is to ensure that it maintains a strong credit rating and safeguard the Group's ability to continue as a going concern, to support its business, maintain the market confidence and maximise shareholders' value.

Taxation

There is no tax liability for the current financial period due to sufficient accumulated tax losses brought forward from previous years. The Group has not recognised the deferred tax assets amounting to RM10.13 million as at 31 December 2019 because it is not probable that future taxable profit will be available against which the relevant subsidiaries can utilise the benefits therefrom.

Profit/(Loss) After Tax

The Management is pleased to inform that the Group has successfully achieved a turnaround in its financial performance by registering a profit after tax of RM0.12 million after incurring significant losses after tax in past two financial years consecutively. The turnaround mainly contributed by new project secured and tight cost control on the project and daily operation to increase the profit margin

Investment in Joint Ventures

The Group's share of investment in JV amounted to RM26.2 million. Following the disposal of land and office building in Abu Dhabi in the previous year, the amount for investment in JV mainly consists of trade receivables collectable over the next few years and all the due instalments are secured against the Letters of Guarantee issued by a prominent licensed bank in the Middle East countries on behalf of the client. During the FYE 2019, the Group received RM5.93 million income distribution from the JV after received part of the repayment from trade receivables.

CONCLUSION

The Group will continue to implement and assess the on-going mid-term strategy, including evaluation and consolidation of the internal business structure and operation; identify and assess the ongoing risks of any operational and financial impacts; improvement of cost control; and actively look for new opportunities for growth and diversification. The Management will stay focus on execution and monitoring of existing secured project while actively pursue and bid for more new projects with good profit margins.

GROUP FINANCIAL HIGHLIGHTS

	FYE 2015 RM	FYE 2016 RM	FYE 2017 RM	FPE 2018* RM	FYE 2019 RM
Revenue	28,023,603	22,861,913	13,379,218	13,751,766	18,855,668
Profit/(Loss) after taxation	878,640	935,589	(1,697,757)	(10,572,034)	116,867
Basic earnings/(loss) per share (sen) based on profit attributable to equity shareholders	1.03	0.63	(0.94)	(5.7)	0.06
Net assets	15,088,856	43,706,022	44,323,330	33,327,467	34,490,570
Net assets per share (sen)	17.77	24.07	24.41	17.94	16.87

* Due to change of financial year end, the financial period cover 17 months.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Liew Kiam Woon
Managing Director

Kok Tong Yong
Executive Director

Goh Chee Hoe
Executive Director
(Appointed on 30 October 2019)

Loo Thin Tuck
Senior Independent Non-Executive Director
(Re-designated on 9 January 2020)

YM Tunku Azlan Bin Tunku Aziz
Independent Non-Executive Director

Tng Ling Ling
Independent Non-Executive Director
(Appointed on 30 October 2019)

Dato' Sri Haji Shafiz Dato' Haji Shahrani
Executive Director
(Resigned on 26 August 2019)

Mohd Amin Bin Abbas
Alternate Director to
Dato' Sri Haji Shafiz Dato' Haji Shahrani
(Ceased on 26 August 2019)

David Low Teck Wee
Senior Independent Non-Executive Director
(Resigned on 9 January 2020)

Juliana Quah Kooi Hong
Executive Director
(Resigned on 9 June 2020)

AUDIT COMMITTEE
Loo Thin Tuck (Chairman) (Re-designated on 9 January 2020)
YM Tunku Azlan Bin Tunku Aziz
Tng Ling Ling *(Appointed on 9 January 2020)*
David Low Teck Wee *(Resigned on 9 January 2020)*

REMUNERATION COMMITTEE
Loo Thin Tuck (Chairman)
Liew Kiam Woon
Tng Ling Ling *(Appointed on 9 January 2020)*
David Low Teck Wee *(Resigned on 9 January 2020)*

NOMINATION COMMITTEE
YM Tunku Azlan Bin Tunku Aziz (Chairman)
Loo Thin Tuck
Tng Ling Ling *(Appointed on 9 January 2020)*
David Low Teck Wee *(Resigned on 9 January 2020)*

RISK MANAGEMENT COMMITTEE
YM Tunku Azlan Bin Tunku Aziz (Chairman)
Loo Thin Tuck
Juliana Quah Kooi Hong
(Resigned on 9 June 2020)

BOARDROOM SHARE REGISTRARS SDN BHD (FORMERLY KNOWN AS SYMPHONY SHARE REGISTRARS SDN BHD)
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo
Kay Kim Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 603-7890 4700
Fax : 603-7890 4670
Website : www.boardroomlimited.com

PRINCIPAL BANKERS
Hong Leong Bank Berhad
Malayan Banking Berhad
Alliance Bank Malaysia Berhad

LISTING
Main Market of
Bursa Malaysia Securities Berhad
Stock Name : LFECORP
Stock Code : 7170

JOHOR BAHRU, MALAYSIA
LFE ENGINEERING (JB) SDN BHD
No. #11-4, Austin 18
Jalan Austin Perdana 3
Taman Austin Perdana
81100 Johor Bahru
Johor Darul Takzim, Malaysia
Tel : 603-26948899
Fax : 603-26948833
Email : lfejb@yahoo.com.my

ABU DHABI, UNITED ARAB EMIRATES
LFE ENGINEERING SDN BHD - ABU DHABI BRANCH
c/o IJM Construction Middle East
Flat#101, Building#U05
International City
PO Box#36634
Dubai - UAE
Tel : + 971 4 874 2377
Email : account@lfe.com.my

COMPANY SECRETARY
Wong Youn Kim (MAICSA 7018778)
SSM Practising Certificate No.
201908000410

AUDITORS
Messrs Morison AAC PLT
(formerly known as Morison Anuarul Azizan Chew)
(LLP 0022843-LCA & AF 001977)
18, Jalan Pinggir 1/64,
Jalan Kolam Air,
Off Jalan Sultan Azlan Shah (Jalan Ipoh),
51200 Kuala Lumpur, Wilayah Persekutuan.
Tel : 603-40482888
Fax : 603-40482999

REGISTERED OFFICE
Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel : 603-22415800
Fax : 603-22825022

PRINCIPAL OFFICES
KUALA LUMPUR, MALAYSIA
LFE ENGINEERING SDN BHD
Suite 11.01, 11th Floor
Campbell Complex
98, Jalan Dang Wangi
50100 Kuala Lumpur
Tel : 603-26948899
Fax : 603-26948833
Website : www.lfe.com.my
Email : lfe@lfe.com.my

Since 1967

LFE Corporation Berhad

(579343-A)

- **100%** **LFE Engineering Sdn Bhd**
  (LFE Engineering Sdn Bhd
  Abu Dhabi Branch)
  - **100%** **LFE Engineering (JB) Sdn Bhd**
- **100%** **LFE Technology Sdn Bhd**
- **100%** **LFE International Limited** [1]
- **100%** **LFE Builder Sdn Bhd**
- **100%** **Teratai Megah Sdn Bhd**
- **100%** **Lynex Construction Sdn Bhd**

(1) Incorporated in The British Virgin Islands

DIRECTORS' PROFILE

Mr **Liew Kiam Woon**
Aged 57, Male, Malaysian
Managing Director

Mr Liew was appointed as Executive Director on 15 September 2003 and was subsequently re-designated as Managing Director on 28 September 2010. He is a member of the Remuneration Committee, the Managing Director of LFE Engineering Sdn Bhd ("LFEE") and sits on the boards of subsidiaries of LFE Group. He is also actively involved in Master Builders Association of Malaysia and currently sits in the Council as Treasurer General.

Mr. Liew graduated from the University of Oregon, the United States of America in 1987 with a Bachelor of Arts Degree, majoring in Business Administration and has completed a basic mechanical and electrical engineering course conducted by the Association of Consulting Engineers Malaysia. Upon graduation, he joined MBF Factors Sdn Bhd as a Business Development Executive. In 1990, he joined LFEE as a Project Coordinator and has since then progressed himself to his current position.

Mr. Liew is the substantial shareholder of the Company. He does not hold any directorship in other public companies or listed issuers.

Mr **Kok Tong Yong**
Aged 64, Male, Malaysian
Executive Director

Mr Kok was appointed as Executive Director of the Company on 19 October 2010. He holds a Bachelor of Science (Mechanical Engineering) Degree from the Teesside Polytechnic, UK in 1981 and is a Chartered Professional Engineer with the Institute of Engineers, Australia.

Mr Kok was previously the Chief Operating Officer of LFE Engineering Sdn Bhd, a wholly-owned subsidiary of the Company. He has more than thirty-two (32) years of experience in the construction industry. He joined a consulting firm as design engineer and leading to experiences as a mechanical and electrical engineer. Over the years, Mr Kok served in various managerial positions with established main contractors and developers.

Prior to joining the Company and the Group, he was a Director of Mechanical & Electrical in Ireka Engineering and Construction Sdn Bhd and was responsible for the execution of all mechanical and electrical works that were undertaken by Ireka Group throughout his tenure.

Mr Kok does not hold any directorship in other public companies or listed issuers.

Mr **Goh Chee Hoe**
Aged 28, Male, Malaysian
Executive Director

Mr Goh was appointed as the Executive Director of the Company on 30 October 2019. He is a member of the Malaysian Institute of Accountants and the Association of Chartered Certified Accountants, United Kingdom.

Mr Goh started his career as an audit associate with an international accounting firm and was subsequently promoted to the management level of the accounting firm. His clientele includes both local and international companies from various diversified industries, such as property development, construction, manufacturing, trading, service line and others. He then joined a local commercial entity group as head of finance and gained a wide range of exposure in businesses such as property developer, construction, hotel management, and other corporate matters.

Mr Goh does not hold any directorship in other public companies or listed issuers.

Mr **Loo Thin Tuck**

Aged 55, Male, Malaysian
Senior Independent Non-Executive Director

Mr Loo was appointed as Independent Non-Executive Director of the Company on 18 May 2009 and was re-designated as Senior Independent Non-Executive Director on 9 January 2020. He also served as the Chairman of the Audit Committee and Remuneration Committee and a member of Risk Management Committee and Nomination Committee.

Mr Loo is an accountant by profession, he is also a member of the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants, the Chartered Tax Institute of Malaysia and Malaysian Association of Company Secretaries. He has more than twenty-five (25) years of extensive experience in the areas of taxation, management, accounting, corporate strategic management, secretarial, auditing and operational management in diverse industry sectors.

Mr Loo is currently the Managing Partner of Loo Thin Tuck & Co. and Managing Director of Infotax Planning Sdn Bhd. He does not hold any directorship in other public companies or listed issuers.

YM Tunku Azlan Bin Tunku Aziz

Aged 52, Male, Malaysian
Independent Non-Executive Director

YM Tunku Azlan was appointed as Independent Non-Executive Director of the Company on 5 October 2009. He also served as the Chairman of the Risk Management Committee and Nomination Committee and a member of Audit Committee.

YM Tunku Azlan is a Chartered Accountant of the Malaysia Institute of Accountants. He started his career in 1996 as a Business Development Officer with Sincere Leasing Sdn Bhd and in 1997, he joined Aseambankers (M) Berhad. In 1999, he was attached with Pengurusan Danaharta Nasional Berhad until 2005. Thereafter, he was the Group Chief Financial Officer of ARK Resources Berhad until 2009.

YM Tunku Azlan joined Shapadu Engineering Sdn Bhd in 2010 as a Chief Financial Officer and in 2015 was promoted as Chief Executive Officer of Shapadu Marine Sdn Bhd; position he held until March 2019. He does not hold any directorship in other public companies or listed issuers.

Ms **Tng Ling Ling**

Aged 36, Female, Malaysian
Independent Non-Executive Director

Ms Tng was appointed as the Independent Non-Executive Director of the Company on 30 October 2019. She is holds a Diploma, major in Accounting cum London Chamber of Commerce & Industry (LCCI). She also served as a member of Audit Committee, Remuneration Committee and Nomination Committee.

Ms Tng has more than fifteen (15) years of considerable experience throughout her career from financing and accountancy and management consultancy work. With the wide experience and exposure, she is now the founder of H Boutique Hotel Management Group ("H Boutique") and responsible for the finance & account, human resources, sales & marketing and customer & investor relationship, financial planning, market analysis of the Group. H Boutique also appointed as consultant by other hotels to provide consultancy services in respect of pre-openings, management and training for hotel staff.

Ms Tng does not hold any directorship in other public companies or listed issuers.

Other Information

1) There are no family relationships amongst the Directors and / or major shareholders of the Company.
2) None of the Directors has any conflict of interest with the Company.
3) None of the Directors of the Company has been convicted of any offence other than traffic offences, within the past 5 years, if any, or any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

SENIOR
MANAGEMENT'S PROFILE

Mr **Chan Kah Leong**
Aged 56, Male, Malaysian
Senior General Manager, Project

Mr. Chan was appointed as Senior General Manager, Project of LFE on February 2016.

Mr. Chan has twenty-five (25) years of experience in mechanical & electrical services with vast experience from project management, project implementation, project coordination and project supervision in Electrical, Fire Fighting, Air Conditioning and Plumbing/sanitary services. His major role in LFE is to manage overall project department operations by directing activities of all division, to ensure that they operate in accordance with corporate policies and objectives, formulating and recommending operating policies/objectives, ensuring budgeted goals are achieved, cost objectives are met and also to ensure availability of competent personnel for the operations.

Mr Chan does not hold any directorship in other public companies or listed issuers.

Mr. Chan does not have any family relationship with any Director and/or major shareholders of the Company. He has no material conflict of interest with the Group.

He has no conviction of any offence other than traffic offences, within the past 5 years, if any, or any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

SUSTAINABILITY STATEMENT

ABOUT THIS STATEMENT

Reporting Standards

LFE Corporation Berhad ("LFE", "the Group" or "the Company') is proud to present our inaugural Sustainability Statement ("Statement") which covers our responsibilities to our stakeholders and we have taken the first steps to incorporate sustainability measures and considerations in all our operations and activities during the financial year.

This sustainability statement is prepared as required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and recommendation to adhere to the guidelines of GSRI-G4 Sustainability Reporting Framework and the Sustainability Reporting Guide (Guide) issued by Bursa Securities. This Statement is consistent with the Company's Annual Report and other publications including the corporate website. Other material issues such as detailed corporate governance as well as data on internal operations and business activities are reported elsewhere in the Annual Report, and are not repeated here.

Scope And Boundaries

This Statement covers the sustainability practices and initiatives of our core business operations for the financial year ended 31 December 2019 unless otherwise stated. The scope of reporting covers LFE's headquarter in Kuala Lumpur and our site office at Johor and Terengganu. The data from LFE Group's oversea subsidiaries and joint ventures are excluded from this report due to differing statutory requirements.

Commitment To Sustainability

Through this report, we aim to provide our stakeholders with economic, environmental and social ("EES") information about our Group and in doing so, strengthen trust and relationship with our stakeholders through increased transparency and disclosure. The Group hopes to use this report to share its commitment to sustainability with its valued stakeholders, including employees, investors, customers, business partners, suppliers and communities it operates in. This Statement sets out what the Board considers as material sustainability risks and opportunities, collectively known as Material Sustainability Matters, which impact the way the Group's operations are carried out as well as how such Material Sustainability Matters are managed. By applying a good corporate governance framework, environmentally responsible practices and sound social policies, it would enable the Group to achieve sustainable growth and enhance long-term value for its Shareholders.

Feedback And Comments

LFE recognises that sustainability is an iterative and continual process, continuous effort is needed to improve on various areas including performance targets and achievements. LFE also would like to thank all stakeholders for their contribution and support. It is our vision to make sustainability central in all that we do and to deliver shared value to our stakeholders.

LFE also welcomes input by all parties concerned on ways and means in which we can improve on our sustainability efforts going forward. Feedback is essential for us to maximise and optimise positive impact on the three dimensions of Economic, Environment and Social.

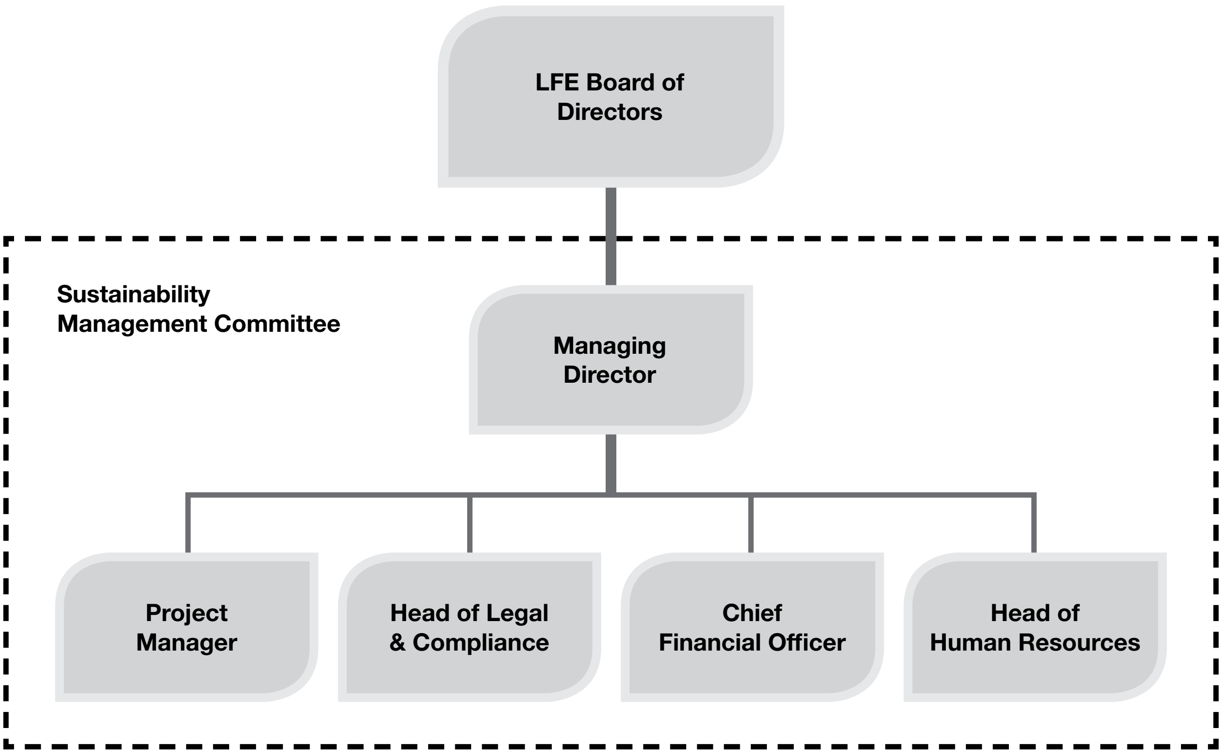
Comments and suggestions can be directed to:

Sustainability Committee
LFE CORPORATION BERHAD
Suite 11.01, 11th Floor
Campbell Complex
98, Jalan Dang Wangi
50100 Kuala Lumpur
Tel : 603-26948899
Fax : 603-26948833
Website : www.lfe.com.my
Email : lfe@lfe.com.my

SUSTAINABILITY GOVERNANCE

We have implemented a governance structure to ensure that our Global Sustainability program meets both our company's social and environmental goals to support our business. Our sustainability governance model provides a foundation and a formal structure that ensures our sustainability strategies are implemented and integrated into our business, delivering long-term value to our stakeholders.

Our sustainability programme is chaired by the Managing Director along with the support of other Sustainability Committee members, where committee members are made up of management representatives from various key functions. While the Managing Director is responsible for the review and endorses of all policies and framework in the development of the Group's sustainability practices. In addition, the Sustainability Committee is responsible for monitors the implementation of sustainability initiatives in LFE and recommending the approach to manage material matters to the Managing Director. The Board of Directors oversees the Sustainability Committee and sets strategies that support long-term value creation and includes strategies on EES considerations underpinning sustainability.



STAKEHOLDER ENGAGEMENT

We consider our stakeholders to be any group that has a significant impact on and a keen interest in our operations. Naturally, our stakeholders influence the way we carry out our business activities and how we formulate our strategies to meet their expectations and to generate long term benefits for our stakeholders in terms of business sustainability and value creation. Stakeholder engagement is essential to ensure business sustainability. Stakeholder engagement helps us reaffirm the most material issues and devise ways to address them within the Group.

We engage with a diverse group of stakeholders comprising employees, customers, shareholders, NGOs, suppliers, industry groups and local communities. Effective communication with stakeholders helps us build trust, leverage on their expertise and gain insights into the most pressing issues. The outcome of these engagements will progressively inform and outline our sustainability strategic priorities and guide the implementation of our sustainability initiatives. Thereafter, we take necessary actions to address these identified issues compiled from stakeholders' engagement which are summarised in the following table:-

Stakeholder Group	Key Areas of Concern	Engagement Platforms
Shareholders and Investors	• LFE's business prospect • Key corporate developments • Corporate governance • Economic Performance	• Announcements on Bursa Securities • Annual and Extraordinary General Meetings • Annual reports and Quarterly report • Corporate website
Government and regulatory authorities	• Regulatory compliance • Corporate Ethics • Annual reporting • Sustainability reporting	• Attended dialogue / seminar organised by Bursa Malaysia • Reliable reporting and marketing communications
Customers	• Service & Delivery Satisfaction • Quality management • Competitive prices	• Timely response towards customer's concerns and interests • Customer Satisfaction Survey • Customer feedback channel
Employees	• Career development • Competitive salary and benefits package • Work-life balance • Workplace safety and health • Clear line of reporting and proper communication channel	• Employee handbook • Open communication • Teamwork • Occupational safety and health • Provide skills development and training opportunities
Suppliers	• Fair procurement and tender • Transparency • Business prospects and financial stability • Prompt payments within credit period	• Group's procurement policy and procedures • Tender meetings, Suppliers' evaluations • Reinforcement of ethical business practices
Local Communities and Public	• Community development and enrichment • Fair Employment opportunities to local communities • Impact of operations on surrounding environment	• Community programmes • Operational safety and health practices on site

MATERIALITY ASSESSMENT

Sustainability matters are the risks and opportunities arising from the EES impacts of our organisation's operations and activities. Our definition of materiality is drawn from the guidelines provided by Bursa Malaysia where material issues are defined as such if they reflect an organisation's significant economic, environment, and social ("EES") impacts; or substantively influence the assessment and decisions of stakeholders.

The six key stakeholder groups that have been identified include our shareholders, authorities, customers, employees, suppliers and local communities. Our goal is to understand and address the different needs of each group to build a sustainable and successful business. Through the materiality assessment process, we have identified the issues material to us. Each of these initiatives has been grouped under the relevant sustainability prongs that manage our EES impact.

Material sustainability matters	Sustainability pillars	Influence from stakeholders	Impart to LFE group
Economic performance	Economy	High	High
Product quality and innovations	Economy	Medium	High
Customer satisfaction	Economy	High	High
Procurement practices and tender	Economy	Medium	Medium
Talent retention and development	Social	Medium	High
Safety and health	Social	High	High
Waste management	Environment	Medium	Low
Recycling	Environment	Medium	Low
Equal opportunities	Social	Medium	Low
Energy Consumption	Environment	Low	Low

ECONOMIC

Economic Performance

At LFE, our economic performance is defined as the generation of sustainable financial and economic returns, while creating value for stakeholders to ensure the sustainability of our business. During this challenging period for the construction sector, we strive to strengthen and sustain the Group's economic performance into the future while maintaining financial profitability. In short-medium term, LFE has successfully achieved a turnaround in its financial performance for the financial year ended 2019 by increasing business efficiency and enhance cost control model. In the long term, LFE focus on the delivery quality products, increase the effectiveness of our assets and capital management to delivered sustainable economic growth to our stakeholders.

Product Quality and Innovations

In LFE, maintaining and improving the quality of products and services is an essential aspect that contributes to an organisation's business success. As a property constructor, quality and on-time delivery of the property products are the key winning factor for sustainable growth. We assert that the needs of our customers should be met and sees the opportunities to create sustainable value for our customers through excellent product mix. Our team remains abreast of the latest trends and ready to adapt ahead of the innovations in the property industry with the same level of product quality. LFE 's quality control and management in line with the Quality Policy commitment as required by *ISO 9001:2015 Quality Management Systems – Requirements*.

ECONOMIC (CONT'D)

Customer satisfaction

LFE believes that customer satisfaction is essential in strengthening our brands and reputation in the long term. Customer satisfaction and engagement has always been identified as one of the most important aspects of the marketplace dimension across all our divisions. We regularly gather customers' feedback through surveys, after-sales service, and completion report. Our customers' satisfaction level is very much dependent on our product quality, competitive pricing, support services and reliability in delivery and effective attention to complaints.

Procurement Practices and Tender

The Group is committed to the highest possible standards of integrity, probity and accountability in all aspects of its procurement and tender activities. Any procurement and tender made are properly evaluated and approved by the relevant approving authority according to ISO 9001:2015 Clause: 8.2 to ensure transparency, integrity and fairness in the process. All officers are expected to conduct ethically, and as our Group practices zero tolerance to any corrupt practices in all business dealings and any breach of this policy will be dealt with severely.

Contribution to the Local Economy

As a homegrown Malaysian company, we understand that LFE plays an active role in contributing to the local community by direct economy activities and indirect impact such as providing employment opportunity. Although there is no formalised policy for the selection of suppliers and sub-contractor, LFE will, where possible, give preference to local suppliers and contractors to support the local community. Recruiting and developing local talent with local knowledge has always been our strategy for increasing the availability of talent, competence and capability of the local workforce. We are proud to inform that 100% of LFE's staffs being local hires where our projects are located.

SOCIAL

Providing Equal Opportunities for Our Employees

At LFE, we encourage equal participation by including a diverse group of people to be part of our team. Approximately 45% of office staff (excluding project site) employed at head office are women. Our performance appraisal is based purely on performance and Key Performance Index, regardless of gender, race or age. The Management and HR recruit or promote the best candidate for the job based on their performance, qualifications, experience and knowledge.

Talent retention and development

We always believe the people are the key to our success, human capital development is prioritised in LFE to ensure that we are able to keep up with the rapid changes and challenges in the business environment. To achieve that, trainings are conducted regularly, while internal promotions are given priority as a form of motivation. It is in our Group's culture to constantly develop and maximize our human capital, strengthen teamwork and build loyalty among our employees. As a responsible organization, we believe that a comfortable workplace which provides all the necessary opportunities and incentives is critical for our people to grow professionally and personally which then enables them to contribute both to the company and the society.

Open Workforce Communications

The Group is promoting and practicing open communications across all levels of employees and departments through various regular interactive sessions between employees and senior management. We strongly value transparency and consider our employees' feedback to make LFE an ideal place for our employees to thrive. LFE practices an open office culture by removing virtual barriers between the departments and level of management to enable quick and efficient dissemination of useful information. Human Resource and Training Department plays an active role in identifying and understanding our employees' needs in order to improve their well-being.

Safety and Health

Though "Safety first' may be the simplest and most common slogans, it is seen and practiced as the 'golden rule' in LFE's day to day operation. LFE's core business in construction and mechanical & electrical sector requires our staff to be exposed to a high-risk environment. Our projects adopt the highest standard of safety and health with zero tolerance for compromise; all site operator, officer and supervisors must follow the policies, procedures and performance objectives endorsed LFE. The operator and officer must obtain proper training and supervision before involved in the assigned work. LFE also ensures the equipment is certified fit for use by the relevant authorities and certain highly technical work is restricted to authorised personnel with the right license qualifications and experience. Due to the high requirement on the construction and mechanical & electrical industry, LFE obtained license and certificate from several local authorities, such as Construction Industry Development Board (CIDB), Putrajaya Energy Commission and Tenaga Nasional Berhad (TNB), to ensure our Group have the competence and capabilities to accept the project. Human Resources Department also ensuring that the Group compliance of the relevant health and safety laws and regulations. The Group was not subject to any punishment by the government and was not involved in any lawsuit related to health and safety.

ENVIRONMENT

Waste Management

In LFE, our construction projects are planned and designed to avoid waste being produced on-site, however where this is not possible, the waste hierarchy is followed by exploring the next tiers down:

(I) Reduce the amount of waste you create, using waste prevention measures.
(II) Re-use materials to avoid waste being created.
(III) Recycle materials from site where materials cannot be re-used.

'Just-in-time' delivery strategies are arranged with suppliers to align with project construction stages. This will help avoid materials being stored on-site longer than necessary and reduce the risk of damage from improper storage and weather damage. Storage for bulk materials are planned carefully during pre-construction stage to minimise transportation around the site. This is to ensure the materials being moved around the site as little as possible as breakage is more likely to happen during movement causing materials to be unusable. Designated locations where wastes are sorted in separate compartments are prepared to make recycling more feasible. Our appointed licensed contractors are also monitored and encouraged to practice proper waste management and minimisation to achieve greater costs savings and better site safety.

In the office, recycling collection and material separation are practiced as part of our waste management process. Our staffs are encouraged to segregate waste into recyclable and non-recyclable items for disposal and transfer the recyclable material to proper recycling station from time to time.

Reduce of Paper usage

LFE acknowledges paper usage as a key effort for waste management in the corporation. The Group has implemented several approaches on waste management to reduce unnecessary usage of paper. Employees are encouraged to reduce paper usage by supporting paperless initiatives such as approval via the system without the need for hardcopy printout. If a printout is necessary, double-sided printing should be prioritised or by reusing draft papers whenever possible. From year 2019, LFE has also reduced the printed copies of the annual report by encouraging shareholders to view and download the annual report from our Group's website or via Bursa's website. Hardcopy annual report will only be provided to shareholders who requested it.

CONCLUSION

Going forward, LFE will strengthen our sustainability practices by adopting a more systematic approach, by continuously revisiting and reassessing our existing sustainability framework, actively and regularly engage our stakeholders and determine key performance indicators for each sustainability theme. We remain committed to reaching out to our stakeholders, communicating through multiple channels, engaging in robust dialogue and working towards common objectives for the good of all.

This Statement is made in accordance with the resolution passed by the Directors at the Board of Directors' Meeting held on 1 June 2020.

The Malaysian Code of Corporate Governance defines corporate governance as "the process and structure used to direct and manage the business and affairs of the company towards promoting business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking into account the interests of the other stakeholders."

The Board of Directors remains committed to subscribe to the principles of good corporate governance that is central to the effective operation of the Company and to ensure the highest standards of accountability and transparency. The Board supports the Corporate Governance Framework and continues to improve existing practices and achieve the objectives of the Company.

The Board is pleased to set out below the manner in which the Group has applied the three main principles in the Malaysian Code on Corporate Governance ("MCCG[1]) during the financial year ended 31 December 2019. This statement is prepared in compliance with Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and it is to be read together with the Corporate Governance Report 2019 of the Company which is available on LFE Corporation Berhad ("LFE")'s website at www.lfe.com.my.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board retains full and effective control of the Group. Its roles are essentially providing leadership, management oversight, setting strategic direction premised on sustainability and promoting ethical conduct in business dealings. The Board has adopted certain responsibilities for effective discharge of its functions through formalizing its Board Charter (available at the Company's website: www.lfe.com.my) which, inter alia, sets a list of specific functions that are reserved for the Board and Chairman; and the authorisation limit which defines relevant matters and applicable limits reserved for Chairman/ /Executive Directors that are further cascaded to senior management team within the Company.

The Board has delegated specific responsibilities to various Board Committees namely the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee whose functions are within their respective terms of reference approved by the Board. The said terms of reference are periodically reviewed by the Board, as and when necessary and the Board appoints the Chairman and members of each committees. These Committees assist the Board in making informed decisions through in-depth discussions on issues in discharge of the respective committees' terms of reference and responsibilities. The terms of reference of the Board Committees are available at the Company's website.

The Board of Directors adopted the Code of Conduct and Ethics for Company Directors and employees within the Group. This Code of Conduct and Ethics provides good guidance for a standard of ethical behaviour for Directors based on trustworthiness and honest values that are acceptable and to uphold the spirit of responsibility including social responsibility in line with the legislation, regulations and guidelines for administrating a company.

The Board had adopted the Whistleblowing Policy that provides a channel to enable employees and other stakeholders to report any suspected breaches of law, regulations or any illegal acts observed in the Group but not limited to financial malpractice or fraud, non-compliance, criminal activity and corruption. The Whistleblowing Policy is reviewed annually and is available on the Company's website. There were no reported incidents pertaining to whistleblowing during the financial year.

The Group aims to ensure a balance of power and authority between the Chairman and Executive Director with a clear division of responsibility between the running of the Board and the Company's business respectively. The Group also emphasizes and practices a division of responsibility between the Executive and Non-Executive Directors.

The Company does not have a designated Chairman. The Managing Director is responsible for ensuring the integrity and effectiveness of the governance process of the Board, acts as facilitator at the meetings and ensure that Board proceedings are in compliance with good conduct and best practices. Whilst the Executive Director is responsible for making and implementing operational and corporate decision as well as developing, coordinating and implementing business and corporate strategies.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Board Responsibilities (Cont'd)

All Directors have the right to access to information within the Group and the individual Director or the Board as a whole has unrestricted access to all information pertaining to the Group's business and affair. This is to enable them to carry out their duties effectively and diligently. As and when necessary, the Board may obtain independent professional advice, in furtherance of their duties, at the expense of the Group.

The Board has also formalised its ethical standards in its Code of Conduct and Ethics that published on the Company's website at www.lfe.com.my for stakeholders' information.

Board Composition

The Board acknowledges the call by the Government and MCCG for boards to comprise at least 30% woman on board. The Board had adopted the gender diversity policy on 27 September 2018.

The Board is mindful that any gender representation should be in the best interest of the Company. Although the Company has not reached the 30% woman representation target at Board level as required, the Board is putting its effort in getting other suitable women who could meet the objective criteria, merit and with due regard for diversity in skills, experience, age to join the Board.

In connection with this policy, the Board have appointed additional one woman director to the Board during the financial year end, which represent 29% of the total number of board members.

In accordance to Board Charter, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years from the date of first appointment as Director. In the event the Board wishes to retain the independence status of an Independent Director who has served for more than nine (9) years, Board justification and shareholders' approval are required. Two tier voting process will be applied in the Annual General Meeting ("AGM") for retaining any Independent Director serving beyond twelve (12) years.

The Company currently does not have a policy to limit the tenure of its Independent Directors. Nevertheless, the Board has considered the independence of the Independent Directors whose tenure had exceeded nine (9) years, namely Mr Loo Thin Tuck ("Mr. Loo") and YM Tunku Azlan Bin Tunku Aziz ("YM Tunku Azlan").

In their respective assessment, Mr. Loo and YM Tunku Azlan confirmed that they do not have personal interest or conflict of interest and have not entered or expected to enter into any contract or transaction with the Company or the Group and they do not assist the Company in any operational matters of the Group. In addition, Mr. Loo also confirmed that he has his own business which is not in the same industry as the Group.

Based on the above assessment, the Board generally satisfied with the level of independence demonstrated by Mr Loo and YM Tunku Azlan. In view thereof, the Company will seek shareholders' approval to retain Mr Loo and YM Tunku Azlan who had served as Independent Directors for more than nine (9) years had abstained from any deliberations or voting pertaining to their independence at the Board level.

None of the Directors of the Company hold more than five (5) directorships of listed companies as provided under Paragraph 15.06 of the MMLR.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Board Composition (Cont'd)

The Board meets on a quarterly basis with additional meetings being convened when necessary to address urgent matters. All the Directors have complied with the minimum attendance requirements as stipulated by the MMLR. The Board met five (5) occasions during the financial year ended 31 December 2019 and the details of attendance at Board Meetings is set out below:-

Name of Directors	Meeting attended
Liew Kiam Woon	5/5
Dato' Sri Haji Shafiz Dato' Haji Shahrani (Alternate Director, Mohd Amin Bin Abbas) (Resigned on 26 August 2019)	3/3
Kok Tong Yong	4/5
Juliana Quah Kooi Hong (Resigned on 9 June 2020)	5/5
David Low Teck Wee (Resigned on 9 January 2020)	4/5
Loo Thin Tuck	4/5
YM Tunku Azlan Bin Tunku Aziz	4/5
Goh Chee Hoe (Appointed on 30 October 2019)	1/1
Tng Ling Ling (Appointed on 30 October 2019)	1/1

All Directors are encouraged to participate in relevant training programmes for continuous professional development and to further enhance their skills and knowledge. The Directors are aware that they shall receive appropriate training which may be required from time to time to keep them abreast with the current developments in the industry as well as new statutory and regulatory developments including changes in accounting standards.

Training programmes and seminars attended by the Directors of the Company during the financial year ended 31 December 2019 are as follows:-

Name of Directors	Training Attended	Date
Loo Thin Tuck	• Quarterly Tax Updates 2019 • National Tax Conference 2019 • Public Rulings 2018 and 2019 – Compliance Issues and Latest Issues and Latest Updates • Practical Auditing Methodology for SMPs • Seminar Percukaian Kebangsaan 2019	17 May 2019 05 & 06 August 2019 27 August 2019 04 & 05 September 2019 22 October 2019
YM Tunku Azlan Bin Tunku Aziz	• MIA Public Practice Programme 2019 • Fundamentals of Corporate Finance • ISQM: Another Tsunami of Change for Auditors?	19 & 20 August 2019 27 August 2019 11 November 2019
Kok Tong Yong	• PAM Contract 2018 – Changes and Implications on Contractors and Sub-Contractors • Cyber Security in the Boardroom • Professional Services Conference on Building Information Modelling (BIM) Adoption • Talk on "Green Buildings, Greener Profits" • Building and Construction Conference 2019 – Improving Competitiveness through Digitalisation • Fire Safety for Building and Infrastructure in Malaysia	29 January 2019 27 June 2019 09 July 2019 15 October 2019 29 October 2019 01 November 2019

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Board Composition (Cont'd)

All Directors of the Company had attended the Mandatory Accreditation Programme prescribed by Bursa Securities for directors of public listed companies.

During the financial year ended 31 December 2019, besides from attending the briefings conducted by the Company Secretary pertaining to the updates on the Listing Requirements and Section 17A of the MACC Act, the External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standard that affect the Group's financial Statement.

Company Secretary

The Board is supported by a qualified secretary who is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and is qualified to act as Company Secretary under the Companies Act, 2016. As a practicing company secretary, she has also attended continuous professional development programmes as required by MAICSA. The Company Secretary supports the Board in carrying out their fiduciary duties and stewardship role in shaping the standard of corporate governance of the Group. The Company Secretary also served as an advisory role to the Board, particularly with regards to the Company's Constitution, Board's policies and procedures and various compliance with regulatory requirement, codes, guidelines, legislation and the principles of corporate governance practices.

The Company Secretary circulated the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and brief the Board quarterly on these updates, where applicable at Board meetings. Throughout their period in office, the Directors are continually updated on the Group's business and the regulatory requirements.

Nomination Committee

The Company's Nomination Committee ("NC") comprised three (3) Independent Non-Executive Directors. The members of the NC are as follows:-

1. YM Tunku Azlan Bin Tunku Aziz (Chairman)
2. Mr Loo Thin Tuck
3. Ms Tng Ling Ling (Appointed on 9 January 2020)
4. Mr David Low Teck Wee (Resigned on 9 January 2020)

The Board has been through the NC, assessed on an annual basis with the use of board matrix, questionnaires and other evaluation forms, the size, composition, mix of skills, experience, competencies of the existing Board, the individual Directors, the independence and tenure of the Independent Directors, and the effectiveness of the Board and the Board Committees, to identify gaps in the Board composition and the needs to identify and select new members to the Board or Board Committees.

Based on the assessment, the NC concluded that the current structure, size and composition of the Board, which comprises people who possess a wide range of expertise, experience and skills in various fields to enable them to discharge their duties and responsibilities effectively. The Board Chairman had performed in an excellent manner and contributed to the Board.
Full details of the NC's duties and responsibilities are stated in the terms of reference which is available on the Company's website at www.lfe.com.my.

The NC meets as and when required, at least once a year. During the financial year, one (1) meeting was held with full attendances from all its members.

The Company's Constitution provides that one third (1/3) or nearest to one-third (1/3) of the Directors for the time being shall retire from office and be eligible for re-election provided always that all the Directors shall retire from office at least once in every three (3) years, but shall be eligible for re-election. All the retiring Directors will abstain from deliberations and decisions on their own eligibility to stand for re-election at the Board Meeting.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Nomination Committee (Cont'd)

In considering whether to recommend a Director who is eligible to stand for re-election, the NC would consider a variety of factors, including:

- the Director's contributions to the Board and ability to continue to contribute productively;
- the Director's attendance at Board and committee meetings;
- the Director's compliance with the Code;
- whether the Director continues to possess the attributes, capabilities and qualifications considered necessary or desirable for Board service; and
- the independence of the Director.

Remuneration Committee

The Remuneration Committee ("RC") comprises three (3) Members, majority of whom are Independent Directors. The members of the RC are as follows:-

1. Mr Loo Thin Tuck (Chairman)
2. Mr Liew Kiam Woon
3. Ms Tng Ling Ling (Appointed on 9 January 2020)
4. Mr David Low Teck Wee (Resigned on 9 January 2020)

The RC is responsible for evaluating, deliberating and recommending to the Board the compensation and benefits that are fairly guided by market norms and industry practices for the business the company is in. The RC is also responsible for evaluating the Executive Directors' remuneration which is linked to the performance of the Executive Directors and performance of the Group. Individual Director does not participate in the decisions regarding his individual remuneration.

The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors and Senior Management needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, and after giving due consideration to the Group's performance.

Pursuant to Section 230(1) of the Companies Act, 2016, fees and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

The details of the Directors' remuneration comprising remuneration received from the Company in the financial year ended 31 December 2019 as are follows:-

Category

	Directors Fees and Meeting Fees (RM)	Salaries and others remuneration (RM)	Statutory Contribution (RM)	Total (RM)
Executive Directors				
Liew Kiam Woon	6,000	339,000	41,243	386,243
Dato' Sri Haji Shafiz Dato' Haji Shahrani (Resigned on 26 August 2019)	500	–	–	500
Mohd Amin Bin Abbas Alternate Director to Dato' Sri Haji Shafiz Dato' Haji Shahrani (Ceased on 26 August 2019)	1,000	–	–	1,000
Kok Tong Yong	2,500	257,415	9,824	269,739
Juliana Quah Kooi Hong (Resigned on 9 June 2020)	3,500	223,500	25,892	252,892
Goh Chee Hoe (Appointed on 30 October 2019)	500	7,000	917	8,417

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Remuneration Committee (Cont'd)

	Directors Fees and Meeting Fees (RM)	Salaries and others remuneration (RM)	Statutory Contribution (RM)	Total (RM)
Non-Executive Directors				
David Low Teck Wee (Resigned on 9 January 2020)	43,000	–	–	43,000
Loo Thin Tuck	36,000	–	–	36,000
YM Tunku Azlan Bin Tunku Aziz	24,000	–	–	24,000
Tng Ling Ling (Appointed on 30 October 2019)	500	–	–	500

The details of the remuneration of the top Senior Management (including salary, bonus, benefit in kind and other emoluments) in each successive bands of RM50,000.00 during the financial year ended 31 December 2019 are as follows:-:

Range of Remuneration (RM)	Designation of Top Senior Management
150,001 – 200,000	Senior General Manager, Project
200,001 – 250,000	Chief Financial Officer (resigned)

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Board is assisted by the Audit Committee ("AC") which comprises exclusively three (3) Independent Non-Executive Directors, to oversee the Group's financial reporting process. In line with the principles of the MCCG, the terms of reference of the AC was amended to include a policy that requires a former key audit partner who was part of the engagement team to observe a cooling-off period of at least 2 years before being appointed as a member of the AC.

The Chairman of the AC is not the Chairman of the Board. The AC Chairman is able to assess to the Executive Directors, Senior Management, External Auditors and Internal Auditors.

The composition of the AC is reviewed annually with the view to maintain an independent and effective AC, and in line with the principles of the MCCG, all members of the AC have continuously improved their financial literacy by attending trainings on the developments and changes in the Malaysian Financial Reporting Standards in order for them to discharge their duties effectively.

The independence, suitability and appointment/re-appointment of the External Auditors are reviewed by the AC annually based on the External Auditors Appointment.

Risk Management and Internal Control Framework

The Risk Management Committee has been formed to assist the Board on the ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process is regularly reviewed and is in accordance with the Statement on Risk Management and Internal Control: Guidance for Directors of Public Listed Companies.

The Executive Directors and Senior Management are responsible for the identification and evaluation of key risks applicable to their areas of business activities on a continuous basis. Risks identified are reported in a timely manner during the periodic management meetings to enable corrective actions to be taken.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Internal Audit Function is carried out by Axcelasia Columbus Sdn. Bhd., an internal audit consulting firm. The internal audit function is headed by a Director who is assisted by a manager and support by account staff. The Director in charge is a qualified accountant while the rest of the team members are with accounting background. The Internal Auditors have performed its work with reference to the principles of the International Professional Practice Framework of Institute of Internal Auditors covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders. The AC will review the engagement between the Group and the Internal Auditors to ensure that the Internal Auditors' objectivity and independence are not impaired or affected.

The Board is of the view that the system of internal control and risk management is in place, is sound and sufficient in safeguarding the Group's assets and shareholders' investment and interests of all stakeholders.

The Statement on Risk Management and Internal Control furnished on pages 30 to 33 of this Annual Report provides an overview on the state of risk management and internal controls within the Group.

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANING RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

The Company aims to ensure that the shareholders and investors are kept informed of all major corporate developments, financial performance and other relevant information by promptly disseminating such information to shareholders and investors via announcements to Bursa Securities, which is in line with Bursa Securities' objectives of ensuring transparency and good corporate governance practices, through dialogue with analysts and the media.

The annual report and the quarterly announcements are the primary mode of communications to report on the Group's business activities and financial performance to all shareholders.

The Company also maintains an effective communication channel between the Board, shareholders and the general public through timely dissemination of all material information. Minority shareholders may communicate with the Company through the Company's website.

Conduct of General Meetings

The AGM represents the principal forum for dialogue and interaction with shareholders, AGM also serves as an important platform for the shareholders to exercise their rights in the Company. The notice of AGM and Annual Report are sent 28 days prior to the AGM, so as to provide sufficient time for shareholders to read through the Annual Report and make the necessary attendance and voting arrangements. Concurrently. The notice of AGM is advertised in a nationally circulated English daily newspaper.

The shareholders are given the opportunity to raise issues and questions pertaining to the Group's strategy or developments during the AGM. All the Directors and key management personnel are available to provide responses to questions raised by the shareholders during the AGM. The Company's External Auditors also attend the AGM and are available to address any relevant queries raised by the shareholders pertaining to the audit matters and audit report.

In compliance with MMLR of Bursa Securities, voting for all resolutions set out in the Notice of the AGM shall be conducted by poll as it fairly reflects shareholders' views by ensuring that every vote is recognized, in accordance with the "one share one vote" principle which enforces greater shareholders' rights. As the number of shareholders is not large, the Company currently conduct manual poll voting instead of electronic poll voting. At least one (1) independent scrutineer is appointed to validated the votes cast at the meeting.

The outcome of the meeting will be announced to Bursa Securities on the same day, the same is also accessible on the Company's website.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 2016 and the MMLR, to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of financial year and of the results and cash flows of the Company and of the Group for the financial year then ended.

The Directors strikes to ensure that the annual financial statements have been prepared in accordance with the applicable approved financial accounting standards and policies in Malaysia.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and the Company. The Directors also take steps to safeguard the interest of the shareholders and to prevent fraud and other irregularities.

COMPLIANCE STATEMENT

The Board has complied most of the recommended practices of the MCCG throughout the financial year, except for the following:-

1) Practice 1.2 – to have Chairman who is responsible for instilling good corporate practices, leadership and effectiveness of the board is appointed;
2) Step Up 4.3 – to have a policy to limit the tenure of independent directors to nine (9) years;
3) Practice 4.5 – to have a policy on gender diversity, its targets and measures to meet those targets;
4) Practice 7.2 – to disclose the top five (5) senior management's remuneration in bands of RM50,000 on a named basis;
5) Step Up 7.3 – fully disclose the detailed remuneration of each senior management personnel on a named basis;
6) Practice 11.2 – to adopt integrated reporting based on a globally recognised framework; and
7) Practice 12.3 – to leverage on technology to facilitate voting in absentia and remote shareholders' participation at general meetings.

The Board acknowledges that achieving excellence in corporate governance is a continuous process and is committed to play a pro-active role in steering the Group towards the highest level of integrity and ethical standards.

This Corporate Governance Overview Statement and CG Report are made in accordance with the resolution passed by the Directors at the Board of Directors' Meeting held on 1 June 2020.

AUDIT
COMMITTEE REPORT

COMPOSITION

The Audit Committee ("AC") of LFE Corporation Berhad ("LFE" or "the Company") is chaired by an Independent Director and comprises three members, all of whom are Independent Non-Executive Directors. The current composition meets the requirement of Paragraphs 15.09 and 15.10 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The AC currently comprises the following Independent Non-Executive Directors, namely:-

1. Mr Loo Thin Tuck (Chairman) (Re-designated on 9 January 2020)
2. YM Tunku Azlan Bin Tunku Aziz
3. Ms Tng Ling Ling (Appointed on 9 January 2020)
4. Mr David Low Teck Wee (Resigned on 9 January 2020)

The AC is authorised by the Board to independently investigate any activity within its terms of reference and shall have unrestricted access to information pertaining to the Group, from the Internal and External Auditors, Management and all employees.

MEETINGS

During the financial year ended 31 December 2019, the AC conducted five (5) meetings of which all were duly convened with sufficient notices given to all AC members together with the agenda, report and proposals for deliberation at the meetings. The Executive Directors were invited to all AC meetings to facilitate direct communication as well as to provide clarification on audit issues and the operations of the Group.

Representatives from the External Auditors and Internal Auditors, as the case may be, were in attendance to present the relevant reports and proposals to the AC at the meetings which included inter alia, the Auditors' audit plans and audit reports and the audited financial statements for the financial year ended 31 December 2019.

In the AC meetings, the External Auditors were given opportunities to raise any matters and gave unrestricted access to the External Auditors to contact them at any time should they become aware of incidents or matters during the course of their audits or reviews. Minutes of the AC meetings were tabled for confirmation at the following AC meeting and subsequently presented to the Board for notation.

Details of attendance of the AC members at the AC meetings during the financial year ended 31 December 2019 are as follows:

Committee Member	Meeting attended
Loo Thin Tuck	4/5
YM Tunku Azlan Bin Tunku Aziz	4/5
David Low Teck Wee (Resigned on 9 January 2020)	4/5
Tng Ling Ling (Appointed on 9 January 2020)	N/A

SUMMARY ACTIVITIES

The AC activities during the financial year under review comprised the following:-

Quarterly Financial Statements and Audited Financial Statements

- reviewed the audited financial statements of the Company prior to submission to the Directors for their perusal and approval. This was to ensure compliance of the financial statements with the provisions of the Companies Act, 2016 and the applicable approved accounting standards as per Malaysian Accounting Standards Board; and
- reviewed the unaudited financial results before recommending them for Board's approval, focusing particularly on:-

  - Any change in accounting policies
  - Significant adjustments arising from audit
  - Compliance with accounting standards and other legal requirements

External Auditors

- reviewed the External Audit Planning Memorandum, outlining the audit scope, audit process and areas of emphasis based on the external auditors' presentation of audit plan;
- reviewed the External Audit Review Memorandum and the response from the Management;
- consideration and recommendation to the Board for approval of the audit fees payable to the external auditors;
- reviewed the performance and effectiveness of the external auditors in the provision of statutory audit services and recommend to the Board for approval on the re-appointment of external auditors; and
- reviewed and evaluated the factors relating to the independence of the external auditors.

The AC recommended to the Board for approval of the audit fee of RM110,000.00 in respect of the financial year ended 31 December 2019.

The Board at its meeting held on 28 November 2019, approved the audit fee based on the recommendation of the AC.

Internal Auditors

The Group outsources its Internal Audit Function to a professional services firm. The Internal Auditors were engaged to conduct regular review and appraisals of the effectiveness of the governance, risk management and internal control process within the Company and the Group.

The Internal Audit Report directly to the AC, the appointed Internal Auditors are given full access to all the documents relating to the Company and Group's governance, financial statements and operational assessments.

The AC had reviewed:-

- internal audit on the area of Operation (production) Management of the Group.
- follow-up audit on Inventory Management of the Group.
- suggestion on improvement opportunities in the areas of internal controls, systems, adequacy and efficiency improvements.

Internal Control and Risk Management

- reviewed the internal audit plan for adequacy scope and coverage and risk areas;
- reviewed risk management report and internal audit reports;
- reviewed the effectiveness and adequacy of risk management, operational and compliance processes; and
- reviewed the adequacy and effectiveness of corrective actions taken by the Management on all significant matters raised.

RELATED PARTY TRANSACTION AND CONFLICT OF INTEREST

At each quarterly meeting, the AC reviewed the recurrent related party transactions ("RPT") and conflict of interest situation that may arise within the Company and its Group including any transaction, procedure or course of conduct that raises questions of Management integrity.

The AC review the RPT and conflict of interest situation presented by the Management prior to the Company entering into such transaction. The AC also ensure that the adequate oversight over the controls on the identification of the interested parties and possible conflict of interest situation before entering into transaction.

INTERNAL AUDIT FUNCTION

The purpose of the Internal Audit function is to provide the Board, through the AC, with reasonable assurance of the effectiveness of the risk management, control and governance processes in the Group. To ensure that the responsibilities of internal auditors are fully discharged, the AC reviews the adequacy of the scope, functions and resources of the Internal Audit function as well as the competency of the Internal Auditors.

The Internal Auditors also highlighted to the AC the audit findings which required follow-up action by Management as well as outstanding audit issues which required corrective action to ensure an adequate and effective internal control system within the Group.

All Internal Audit activities in financial year ended 31 December 2019 were outsourced to an independent assurance provider and the total costs incurred were amounted to RM36,000.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Malaysian Code on Corporate Governance ("the Code") sets out the principle that the Board of Directors ("Board") of a listed company should establish a sound risk management framework and internal control system to safeguard shareholders' investment and assets of the Group.

The Statement on Risk Management and Internal Control by the Board of Directors ("Board") on the Group is made pursuant to paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the Principles and Recommendations relating to risk management and internal control provided in the Code.

Board Responsibilities

The Board recognises and affirms its overall responsibility for the Group's system of risk management and internal control practices for good corporate governance. The Board, through its various committees, has continuously reviewed the adequacy and effectiveness of the system in particular on financial, operational, as well as compliance aspects of the Group throughout the financial year.

There is an ongoing process for identifying, evaluating and managing the key risks faced by the Group in its achievement of business objectives. The process has been in place during the year up to the date of approval of this statement and is subject to review by the Board. The Board recognised that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, the Board noted that these systems can only provide reasonable but not absolute assurance against any material misstatement, losses or fraud.

The Risk Management Committee ("RMC") was established to oversee the risk management framework and activities of the Group, in line with the step-up practice as set out in the MCCG. The RMC met once during the financial year ended 31 December 2019.

The Composition of the RMC is as follows:

<u>Chairman</u>

Loo Thin Tuck	Senior Independent Non-Executive Director

<u>Members</u>

YM Tunku Azlan Bin Tunku Aziz	Independent Non-Executive Director
Juliana Quah Kooi Hong (Resigned on 9 June 2020)	Executive Director

The Board is assisted by Senior Management in implementing the Board approved policies and procedures to assure that the Group's risk management and internal controls systems are operating adequately and effectively by:

a. Identifying and analysing risk information;
b. Designing and operating suitable internal controls to manage these risks; and
c. Monitoring risk changes and the appropriate action plans.

The key features of the risk management and internal control system are described below.

Risk Management

The Group continues to adopt its Enterprise Risk Management (ERM) methodology which is in line with the *ISO 31000:2018, Risk Management – Principles and Guidelines*, mainly promoting the risk ownership and continuous monitoring of key risks identified.

The Group has maintained a database of risks and controls information captured in the format of risk registers. The risks associated with key business units are identified, assessed and categorised to highlight the root causes of risks, their impacts and the likelihood of occurrence. Risk profiles for the key business units are presented to the Risk Management Committee and Board for deliberation and approval for adoption. Comprehensive action plans are developed to address key risks identified by Management.

The risk profile of the key business units of the Group are being monitored by its respective Senior Management. The risks identified for the Group were considered in formulating the strategies and plans. The strategies and plans are monitored and revised as the need arises.

Internal Control

The Board receives and reviews regular reports from the Management on key financial data, performance indicators and regulatory matters. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis. The Board approves appropriate responses or amendments to the Group's policy. Further, the results of the Group are reported quarterly and any significant fluctuations are analysed and acted on in a timely manner.

There is a comprehensive budgeting system that requires preparation of the annual budget by all key business units. The annual budget which contains financial, operating targets and performance indicators are reviewed and approved by the Managing Director, together with the Senior Management before being presented to the Board for final review and approval.

Issues relating to the business operations are brought to the Board's attention during Board meetings. Further independent assessment is provided by the Group internal audit function and the Audit Committee. The Audit Committee reviews internal control matters and updates the Board on any significant control gaps for the Board's attention and action.

The other salient features of the Group's system of internal control are as follows:-

- The Board meets at least once every quarter and has an agenda to bring to the Board's attention significant matters related to internal controls, ensuring that it maintains full and effective supervision over appropriate controls;

- Executive Directors participate actively in the daily operations of the Group and regular operational meetings were held with heads of departments. The heads of departments are delegated with the responsibility to ensure that the systems of internal controls are put into place accordingly;

- Representations from the Company in consortium or joint venture are responsible to oversee the administration, operation and performance of the consortium or joint venture and are further responsible to provide on a regular basis, financial and operational information of the consortium or joint venture to the Management of the Company;

- Quarterly review of financial results by the Board and the Audit Committee before announcement to Bursa Malaysia Securities Berhad;

- An organisational structure with defined lines of responsibilities and delegation of authority within which the Management operates;

Internal Control (Cont'd)

The other salient features of the Group's system of internal control are as follows (Cont'd):-

- The principal operating subsidiary, LFE Engineering Sdn Bhd, has a formalised Quality Procedure Manual ISO 9001:2015 ("ISO") to inter-alia provide guidance to employees in carrying out daily tasks to ensure that there is a clear understanding of the operations of the Group, to continually improve the effectiveness of our Quality Management System so as to provide our customers with superior products and services;

- Scheduled in-house ISO internal audit is held once a year to ensure full compliance with the ISO requirements, where findings are discussed during the Management Review Committee meetings.

Internal Audit

The Board acknowledges the importance of the internal audit function and has outsourced its internal audit function to a professional service firm to carry out its internal audit function which aims to provide the Board with reasonable assurance regarding the adequacy of the effectiveness and efficiency of the risk management and internal control. At the date of this report, the internal audit activities of the Group were carried out according to an annual audit plan approved by the Audit Committee. The internal audit function adopted a risk-based approach and prepared its audit plans based on key risks identified. The internal audit provided an assessment of the adequacy and effectiveness of the Group's system of internal control, and provided recommendations, if any, for the improvement of the control policies and procedures. The results of the internal audit assessments were reported to the Audit Committee.

High priority observations were highlighted to the management and suggested mitigation plans with reasonable implementation time frame were adopted by the respective department. In addition, the implementation status of corrective actions to address control weaknesses was followed up by the internal auditors to verify that these actions have been satisfactorily implemented by management. In addition, management relied on the ISO internal audit.

Review by Board

The Board's review of risk management and internal control effectiveness is based on information from Senior Management within the organisation who are responsible for the development and maintenance of the risk management and internal control system.

The Board monitors the implementation status of key risk action plans for the identified internal control weakness to ensure continuous process improvement. In addition, the Audit Committee and the Board will continuously review the adequacy and effectiveness of the Group's risk management and internal control system.

The Board considered the systems of internal controls described in this statement to be satisfactory and the risks to be at an acceptable level within the context of the Group's business environment. The Board and Senior Management will continue to strengthen the risk and control environment and monitor the health of the risk and internal controls framework.

The Group's internal control system does not apply to its our joint ventures entities, which fall within the control of their majority partners. Nonetheless, the Group's interests are served through representation on the Senior Management posting(s) to the joint ventures entities as well as through the review of management accounts received. These provide the Board with performance-related information to enable informed and timely decision-making on the Group's investments in such entity.

The Board also received assurance from the Managing Director and management that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects based on the established risk management and internal control system of the Group in accordance with the guidance as outlined in Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Review by Board (Cont'd)

In addition, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the 2019 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal control.

Conclusion

For the financial year under review and up to the date of approval of this Statement on Risk Management and Internal Control, the Board is satisfied that the risk management and internal control system are in place as it has not resulted in any material loss, contingency or uncertainty. The Board has not identified any circumstances which suggest any fundamental deficiencies in the Group's internal control system.

The above statement is made in accordance with the resolution passed by the Directors at the Board of Directors' Meeting held on 1 June 2020.

ADDITIONAL
COMPLIANCE INFORMATION

The following is provided in compliance with the MMLR of Bursa Securities:-

1. Non-audit fees

The amount of non audit fees payable to the Group's external auditors for the financial year ended 31 December 2019 is RM5,000.

2. Material contracts

There were no material contracts entered into by the Company and/or its subsidiaries that involve Directors' or substantial shareholders' interests either still subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous financial year.

3. Share Buy-back

There was no share buy-back by the Company during the financial year ended 31 December 2019.

4. Utilisation of Proceeds Raised from Corporate Proposals

As at the date of the Notice of Seventeenth Annual General Meeting, there were no proceed raised from corporate exercise during the financial year ended 31 December 2019.

5. Recurrent Related Party Transactions

The Group did not have any recurrent related party transactions of revenue or trading nature during the financial year ended 31 December 2019, which exceeded the materiality threshold stipulated in Paragraph 10.09 (2)(b) of the MMLR of Bursa Securities.

6. Material Properties

The Group and the Company do not own any landed property for the financial year ended 31 December 2019.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal Activities

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are stated in Note 13 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

Financial Results

	Group RM	Company RM
Profit/(Loss) for the financial year	116,867	(428,741)

Dividend

No dividend was paid or declared by the Company since the end of the previous financial period. The Board of Directors does not recommend any dividend in respect of the current financial year.

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

Issue of Shares and Debentures

During the financial year, the Company increased its total issued and paid up share capital from RM55,469,711 to RM57,142,100 by way of issuance of 18,582,100 ordinary shares of RM0.09 each share via a private placement. The new shares issued shall rank pari passu in all respect with the existing ordinary shares of the Company.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Directors

The Directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

Liew Kiam Woon	
Loo Thin Tuck	
YM Tunku Azlan Bin Tunku Aziz	
Kok Tong Yong	
Goh Chee Hoe	(Appointed on 30 October 2019)
Tng Ling Ling	(Appointed on 30 October 2019)
YBhg. Dato' Sri Haji Shafiz Bin Dato' Haji Shahrani	(Resigned on 26 August 2019)
Mohd Amin Bin Abbas (Alternate Director to YBhg. Dato' Sri Haji Shafiz Bin Dato' Haji Shahrani)	(Appointed on 8 January 2019 and ceased on 26 August 2019)
David Low Teck Wee	(Resigned on 9 January 2020)
Juliana Quah Kooi Hong	(Resigned on 9 June 2020)

Directors' Interests in Shares or Debentures

According to the register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year except as follows:

	Number of ordinary shares			
	At 1.1.2019	**Acquired**	**Disposed**	**At 31.12.2019**
Interest in the Company				
Direct interest:				
Liew Kiam Woon	17,188,008	–	–	17,188,008
Kok Tong Yong	32,500	–	–	32,500
Indirect interest:				
Liew Kiam Woon^	8,529,958	–	–	8,529,958

^ Deemed interested by virtue of his interest in Liew Meow Nyean Realty Sdn. Bhd. pursuant to Section 8 of Companies Act, 2016

Directors' Interests in Shares or Debentures (Cont'd)

By virtue of their interest in shares of the Company, Liew Kiam Woon and Kok Tong Yong are also deemed to have interest in the shares of the subsidiaries to the extent that the Company has an interest.

Other than as disclosed above, according to the register of Directors' shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares or debentures in the Company or its subsidiaries during the financial year.

Directors' Benefits

Since the end of the previous financial period, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Remuneration

Details of Directors' remuneration are disclosed in Note 22 to the financial statements.

Subsidiary Companies

Details of the subsidiary companies are disclosed in Note 13 to the financial statements.

Auditors' Remuneration

Details of auditors' remuneration are disclosed in Note 17 to the financial statements.

Other Statutory Information

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

   (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

Other Statutory Information (Cont'd)

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the additional provision for doubtful debts in the financial statement of the Group and of the Company inadequate to any substantial extent; or

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) any amount stated in the financial statements of the Group and of the Company misleading.

(c) No contingent or other liability of any company in the Group has become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

(d) At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(e) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Subsequent Events

Details of subsequent events are disclosed in Note 27 to the financial statements.

Auditors

The auditors, Messrs. Morison AAC PLT (LLP0022843-LCA & AF001977) have expressed their willingness to accept re-appointment.

Morison AAC PLT (LLP0022843-LCA & AF001977) was registered on 8 January 2020 and with effect from that date, Morison AAC (AF001977) (formerly known as Morison Anuarul Azizan Chew (AF001977)), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

LIEW KIAM WOON | **GOH CHEE HOE**

Kuala Lumpur
10 June 2020

STATEMENT BY DIRECTORS

pursuant to section 251(2) of the companies act, 2016

We, LIEW KIAM WOON and GOH CHEE HOE, being two of the Directors of LFE CORPORATION BERHAD, do hereby state that in the opinion of the Directors, the financial statements set out on pages 47 to 107 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

LIEW KIAM WOON

GOH CHEE HOE

Kuala Lumpur
10 June 2020

STATUTORY DECLARATION

pursuant to section 251(1) of the companies act, 2016

I, LIEW KIAM WOON, being the Director primarily responsible for the financial management of LFE CORPORATION BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 47 to 107 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed LIEW KIAM WOON)
at KUALA LUMPUR)
on this date of 10 June 2020)

LIEW KIAM WOON

Before me,

COMMISSIONER FOR OATHS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LFE Corporation Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 47 to 107.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Liquidity position of the Group and the Company *(Refer Note 2.1 and 24 to the financial statements)*	
During the financial year, the Group and the Company reported a negative operating cash flows amounting to RM5,977,559 and RM1,673,488 respectively. In addition, the Group and the Company have delayed in meeting certain operational overheads and statutory obligations. In assessing the appropriateness of the use of going concern basis of accounting in the preparation of the financial statements, management has considered the repayment obligations for liabilities and cost overheads which are due in the next 12 months, taking into consideration the following: (a) Availability of cash flows over the next 12 months; (b) Repatriation of funds from joint ventures; (c) Funds received from private placement; and (d) Ability of the Group to generate sufficient cash flows from its existing contracts.	Our audit procedures include the following: • Inquired management as to its knowledge of events or conditions beyond the period of management's going concern assessment; • Evaluated management's going concern assessment that covers twelve months from the date of financial statements through review of cash flow forecast; • Assessed the reasonableness of the management's key assumptions used and judgements exercised on the cash flow forecast; • Performed sensitivity tests for a range of reasonable possible scenarios; and • Considered the completeness and accuracy of disclosure in financial statements.

Key Audit Matters (Cont'd)

Key audit matters	How our audit addressed the key audit matters
Liquidity position of the Group and the Company (Cont'd) *(Refer Note 2.1 and 24 to the financial statements)* We considered this as an area of audit focus due to the significant degree of judgements and estimates used by management in arriving at the cash flow forecast.	
Revenue recognition on construction contract *Refer to Note 2.2(a), 2.4(o)(i) and 15 to the financial statements* During the financial year, the Group recognised revenue amounting to RM18,855,668 from its construction activities. We focused on this area because the accounting for construction contracts activities is inherently complex as it involves the use of significant estimates and judgements made by management which includes the following: (a) Estimation of the total budgeted project costs and the assessment of costs yet to be incurred to complete these projects; (b) Determination of the progress towards satisfaction of the performance obligations and overall progress of the Group's projects; (c) Consideration of variation orders and claims with the Group's customers; and (d) Estimation of changes in transaction price arising from liquidated ascertained damages.	In addressing this area, our procedures included, among others: • Obtained an understanding and tested the Group's internal controls over construction contracts project budget approval and revenue recognition process; • Evaluated the management's key judgements used in the estimation of budgeted construction contract costs by examining documentation such as letter of awards issued, variation orders, historical evidence or results and retrospective review of these estimates; • Verified the budgeted revenue by examining the construction contracts' approved letters of award; • Discussed with the project team to understand the nature of variation orders and claims included in budgeted revenue and inspected correspondences from the customers; • Inspected the costs incurred to date and compared against sub-contractor claim certificates and external architects' certifications of work performed to corroborate the projects' progress towards satisfaction of the performance obligations and reasonableness of the estimated project budgets; • Performed re-computations on the calculation of the stage of completion to ascertain there is no mathematical error in the profit recognition; and • Reviewed the stage of completion of all on-going construction contracts to determine if any adjustments to the transactions price arising from the estimation for liquidated ascertained damages.

Key Audit Matters (Cont'd)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of contract assets accrued billings and trade receivables *Refer to 2.2(c),2.4(f),5 and 6 to the financial statements*	
As at 31 December 2019, the Group's contract assets accrued billings and trade receivables amounted to RM10,999,248 and RM12,910,578 respectively. Management's assessment of impairment loss for contract assets accrued billings and trade receivables includes consideration of historical payment trends of customers, adjusted for forward-looking factors specific to the industry of the customer, and any known adverse condition in respect of customers that would affect the recoverability of these balances. We focus on these areas due to the complexity and significant judgement involved in assessing the impairment loss allowance for the contract assets accrued billings and trade receivables.	Our audit procedures included, among others, the following: • Obtained an understanding on the Group's credit control; • Recalculated the probability of default using historical data and forward-looking information adjustments applied by the management; • Assessed the appropriateness and reasonableness of the assumptions applied in the management's assessment of expected credit loss, taking into account specific known customers' circumstances; • Reviewed the project schedules and investigated any contract assets accrued billings which are long outstanding; • Scrutinised the trade receivables ageing and investigated unusual trends and conditions that may indicate objective evidence of impairment; • Verified receipts from trade receivables subsequent to the financial year end; and • Considered the completeness and accuracy of the disclosures.
Significant foreign component *Refer to Notes 2.3(ii) and 4 to the financial statements*	
As at 31 December 2019, the carrying amount of the Group's investment in joint ventures is RM26,228,010, which represents 49% of the Group's total assets. The investment in joint ventures is accounted for under the equity accounting method. The joint ventures are based in Abu Dhabi, United Arab Emirates. We focused on this area due to the significant balance of the investment and it involves the work of a component auditor in the audit of the financial statements of the joint ventures.	In addressing this area, our procedures included, among others: • Reviewed deliverables from component auditor in response to the Group Audit Instructions and assessed the impact on the Group financial statements; • Evaluated component auditor's deliverables and discuss significant matters with the component auditor; • Reviewed the working papers of the component auditors and assessed sufficiency and appropriateness of audit evidence obtained; • Evaluated management's assessment for the recoverability of the investment in joint ventures; • Considered the completeness and accuracy of the disclosures.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont"d)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 13 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume any responsibility to any other person for the content of this report.

MORISON AAC PLT
(LLP0022843-LCA & AF001977)
Chartered Accountants

SATHIEA SEELEAN A/L MANICKAM
Approved Number: 01729/05/2022 J
Chartered Accountant

KUALA LUMPUR
10 June 2020

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019

	Note	Group 2019 RM	2018 RM
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	483,086	551,671
Investment in joint ventures	4	26,228,010	32,525,454
		26,711,096	33,077,125
Current Assets			
Contract assets	5	12,666,464	10,418,654
Trade receivables	6	12,683,921	6,593,719
Other receivables	7	1,303,576	821,726
Cash and bank balances		621,254	62,154
		27,275,215	17,896,253
TOTAL ASSETS		53,986,311	50,973,378
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	8	57,142,100	55,469,711
Reserves	9	(22,651,530)	(22,142,244)
		34,490,570	33,327,467
Current Liabilities			
Trade payables	10	6,336,526	2,122,545
Other payables	11	13,133,969	15,256,060
Bank borrowings	12	–	242,060
Provision for taxation		25,246	25,246
Total Liabilities		19,495,741	17,645,911
TOTAL EQUITY AND LIABILITIES		53,986,311	50,973,378

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2019

(cont'd)

	Note	Company 2019 RM	Company 2018 RM
ASSETS			
Non-Current Assets			
Investment in subsidiary companies	13	25,576,086	25,576,086
Amounts owing by subsidiary companies	14	30,812,761	30,130,169
		56,388,847	55,706,255
Current Assets			
Other receivables	7	705,000	–
Cash and bank balances		58	1,157
		705,058	1,157
TOTAL ASSETS		57,093,905	55,707,412
EQUITY AND LIABILITY			
Equity attributable to owners of the Company			
Share capital	8	57,142,100	55,469,711
Reserves	9	(609,598)	(180,857)
		56,532,502	55,288,854
Current Liability			
Other payables	11	561,403	418,558
TOTAL EQUITY AND LIABILITY		57,093,905	55,707,412

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2019

	Note	Group 1.1.2019 to 31.12.2019 RM	Group 1.8.2017 to 31.12.2018 RM	Company 1.1.2019 to 31.12.2019 RM	Company 1.8.2017 to 31.12.2018 RM
Revenue	15	18,855,668	13,751,766	–	–
Cost of sales		(14,561,537)	(12,629,833)	–	–
Gross profit		4,294,131	1,121,933	–	–
Other operating income		297,993	344,667	–	224,884
Administrative expenses		(3,205,510)	(5,410,723)	(428,741)	(403,658)
Other operating expenses		(1,005,941)	(1,284,503)	–	(15,452,154)
Finance costs	16	(213,872)	(480,969)	–	–
Profit/(Loss) from operations		166,801	(5,709,595)	(428,741)	(15,630,928)
Share of profit of associated companies		–	2,333	–	–
Share of loss of joint ventures		(49,934)	(4,856,731)	–	–
Profit/(Loss) before taxation	17	116,867	(10,563,993)	(428,741)	(15,630,928)
Taxation	18	–	(8,041)	–	–
Profit/(Loss) for the financial year/period		116,867	(10,572,034)	(428,741)	(15,630,928)
Other comprehensive loss:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising from translation of foreign operations		(250,212)	(1,423,829)	–	–
Total comprehensive loss for the financial year/period		(133,345)	(11,995,863)	(428,741)	(15,630,928)
Earnings/(Loss) per share attributable to owners of the Company (sen)					
- Basic and diluted	19	0.06	(5.70)		

The accompanying notes form an integral part of the financial statements.

Group	Note	< ---- Attributable to Owners of the Company ---- > < ---- Non-distributable ---- > Share Capital RM	Capital Reserve RM	Foreign Exchange Translation Reserve RM	Accumulated Losses RM	Total Equity RM
At 1 January 2019		55,469,711	17,567,825	2,099,481	(41,809,550)	33,327,467
Effect of adoption of MFRS 9	2.1	–	–	–	(375,941)	(375,941)
As restated		55,469,711	17,567,825	2,099,481	(42,185,491)	32,951,526
Issuance of shares during the financial year:						
- Private Placement	8	1,672,389	–	–	–	1,672,389
Profit for the financial year		–	–	–	116,867	116,867
Other comprehensive loss:						
- Exchange differences arising from translation of foreign operations		–	–	(250,212)	–	(250,212)
Total comprehensive (loss)/income for the financial year		–	–	(250,212)	116,867	(133,345)
At 31 December 2019		57,142,100	17,567,825	1,849,269	(42,068,624)	34,490,570

Group	Note	<------ Attributable to Owners of the Company ------>				
		<------ Non-distributable ------>				
		Share Capital RM	Capital Reserve RM	Foreign Exchange Translation Reserve RM	Accumulated Losses RM	Total Equity RM
At 1 August 2017		54,469,711	17,567,825	3,523,310	(31,237,516)	44,323,330
Issuance of shares during the financial period:						
- Private Placement	8	1,000,000	–	–	–	1,000,000
Loss for the financial period		–	–	–	(10,572,034)	(10,572,034)
Other comprehensive loss:						
- Exchange differences arising from translation of foreign operations		–	–	(1,423,829)	–	(1,423,829)
Total comprehensive loss for the financial period		–	–	(1,423,829)	(10,572,034)	(11,995,863)
At 31 December 2018		55,469,711	17,567,825	2,099,481	(41,809,550)	33,327,467

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2019

(cont'd)

Company	Note	Share Capital RM	Capital Reserve RM	Accumulated Losses RM	Total Equity RM
At 1 August 2017		54,469,711	17,567,825	(2,117,754)	69,919,782
Issuance of shares during the financial period:					
- Private Placement	8	1,000,000	–	–	1,000,000
Loss/Total comprehensive loss for the financial period		–	–	(15,630,928)	(15,630,928)
At 31 December 2018		55,469,711	17,567,825	(17,748,682)	55,288,854
At 1 January 2019		55,469,711	17,567,825	(17,748,682)	55,288,854
Issuance of shares during the financial year:					
- Private Placement	8	1,672,389	–	–	1,672,389
Loss/Total comprehensive loss for the financial year		–	–	(428,741)	(428,741)
At 31 December 2019		57,142,100	17,567,825	(18,177,423)	56,532,502

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2019

	Group		Company	
	1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM	1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM
Cash Flows From Operating Activities				
Profit/(Loss) before taxation	116,867	(10,563,993)	(428,741)	(15,630,928)
Adjustments for:				
Depreciation of property, plant and equipment	68,585	127,879	–	–
Unrealised loss on foreign exchange	70,831	82,152	–	–
Share of profit of associated companies	–	(2,333)	–	–
Share of loss of joint ventures	49,934	4,856,731	–	–
Fair value adjustments on:				
- trade receivables	–	5,846	–	–
- trade payables	–	(42,857)	–	–
Interest income on unwinding discount on trade receivables	(37,807)	–	–	–
Interest expense on unwinding discount on trade payables	42,857	–	–	–
Impairment loss on:				
- contract assets	93,993	–	–	–
- trade receivables	121,600	–	–	–
Property, plant and equipment written off	–	80,970	–	–
Gain on disposal of investment property	–	(34,529)	–	–
Gain on disposal of investment in subsidiary company	–	(37,924)	–	–
Gain on disposal of investment in associated companies	–	(66,005)	–	(224,500)
Interest expenses	213,872	480,969	–	–
Interest income	(35)	(392)	–	(384)
Operating profit /(loss) before changes in working capital	740,697	(5,113,486)	(428,741)	(15,855,812)
Changes in working capital:				
Contract assets	(2,612,688)	(2,344,997)	–	–
Trade and other receivables	(6,760,901)	6,943,739	(705,000)	–
Trade and other payables	2,869,170	(1,836,129)	142,845	(97,365)
Amounts owing by subsidiary companies	–	–	(682,592)	14,703,924
Amount owing by an associated company	–	2,440,662	–	–
	(6,504,419)	5,203,275	(1,244,747)	14,606,559

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2019

(cont'd)

	Note	Group 1.1.2019 to 31.12.2019 RM	Group 1.8.2017 to 31.12.2018 RM	Company 1.1.2019 to 31.12.2019 RM	Company 1.8.2017 to 31.12.2018 RM
Cash (used in)/generated from operations		(5,763,722)	89,789	(1,673,488)	(1,249,253)
Interest received		35	392	–	384
Interest paid		(213,872)	(480,969)	–	–
Tax paid		–	(47,158)	–	–
		(213,837)	(527,735)	–	384
Net cash used in operating activities		(5,977,559)	(437,946)	(1,673,488)	(1,248,869)
Cash Flows From Investing Activities					
Dividend received from joint ventures		5,106,330	–	–	–
Proceeds from disposal of investment in associated companies		–	250,406	–	250,000
Proceeds from disposal of investment property		–	30,000	–	–
Disposal of investment in subsidiary company, net of cash acquired		–	(14,041)	–	–
Net cash generated from investing activities		5,106,330	266,365	–	250,000
Cash Flows From Financing Activities					
Proceeds from issuance of shares	8	1,672,389	1,000,000	1,672,389	1,000,000
Repayment of term loans	20	–	(895,663)	–	–
Repayment of lease liabilities	20	–	(60,426)	–	–
Net cash generated from financing activities		1,672,389	43,911	1,672,389	1,000,000

	Note	Group 1.1.2019 to 31.12.2019 RM	Group 1.8.2017 to 31.12.2018 RM	Company 1.1.2019 to 31.12.2019 RM	Company 1.8.2017 to 31.12.2018 RM
Net increase/(decrease) in cash and cash equivalents		801,160	(127,670)	(1,099)	1,131
Changes in cash and bank balances classified as assets held for sale		–	14,043	–	–
Cash and cash equivalents at the beginning of the financial year/period		(179,906)	(66,279)	1,157	26
Cash and cash equivalents at the end of the financial year/period		621,254	(179,906)	58	1,157
Cash and cash equivalents at the end of the financial year/period comprises:					
Cash and bank balances		621,254	62,154	58	1,157
Bank overdrafts		–	(242,060)	–	–
		621,254	(179,906)	58	1,157

The accompanying notes form an integral part of the financial statements.

1. Corporate Information

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiary companies are disclosed in Note 13 to the financial statements.

The Company is a public limited liability company, incorporated under the Companies Act, 1965 and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal place of business is located at Suite 11.01, 11th Floor, Campbell Complex, 98, Jalan Dang Wangi, 50100 Kuala Lumpur.

The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur.

2. Basis of Preparation and Significant Accounting Policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention except as disclosed in summary of significant accounting policies.

The Group and the Company reported negative operating cash flows amounting to RM5,977,559 and RM1,673,488 respectively during the financial year ended 31 December 2019. In addition, the Group and the Company have delayed in meeting certain operational overheads and statutory obligations. Notwithstanding the above, management is of the view that the Group has sufficient sources of liquidity and funding to continue as a going concern.

In assessing the appropriateness of the use of going concern basis of accounting in the preparation of the financial statements, management has considered the repayment obligations for liabilities and cost overheads which are due in the next 12 months, taking into consideration the following:

(a) Availability of cash flows over the next 12 months;
(b) Repatriation of funds from joint ventures;
(c) Funds received from private placement; and
(d) Ability of the Group to generate sufficient cash flows from its existing contracts.

The financial statements of the Group and of the Company do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Group and the Company be unable to continue as going concerns.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgemental or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.2 to the financial statements.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.1 Basis of preparation (Cont'd)

Accounting standards, amendments to accounting standards and IC interpretations that are effective for the Group's and the Company's financial year beginning on or after 1 January 2019 are as follows:

- MFRS 9, "Financial Instruments"
- MFRS 15, "Revenue from Contracts with Customers"
- MFRS 16, "Leases"
- Amendments to MFRS 1, "First-time Adoption of Malaysian Financial Reporting Standards" (Annual improvements 2014-2016 cycle)
- Amendments to MFRS 2, "Classification and Measurement of Share-Based Payment Transactions"
- Amendments to MFRS 3, "Business Combination" (Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 4, "Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts"
- Amendments to MFRS 9, "Prepayment Features with Negative Compensation"
- Amendments to MFRS 11, "Joint Arrangement" (Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 112, "Income taxes" (Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 119, "Employee Benefits" (Plan amendment, curtailment or settlement)
- Amendments to MFRS 123, "Borrowing Costs" (Annual improvements to 2015-2017 Cycle)
- Amendments to MFRS 128, "Investments in Associates and Joint Ventures" (Annual improvements 2014-2016 cycle)
- Amendments to MFRS 128, "Long-term Interests in Associates and Joint Ventures"
- Amendments to MFRS 140, "Transfers of Investment Property"
- IC Interpretation 22, "Foreign Currency Transactions and Advance Consideration"
- IC Interpretation 23, "Uncertainty over Income Tax Treatments"

The above accounting standards, amendments to accounting standards and IC interpretation effective during the financial year do not have any significant impact to the financial results and position of the Group and the Company, except as follows:

<u>Adoption of MFRS 9 "Financial Instruments"</u>

The Group and the Company applied MFRS 9 for the first time in the 2019 financial statements with the date of initial application of 1 January 2019. The standard is applied retrospectively.

In accordance with the transitional provisions provided in MFRS 9, comparative information for 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The detailed impact of the change in accounting policy on financial instruments is as follows:

<u>Classification and measurement of financial assets</u>

Until 31 December 2018, financial assets were classified in the following categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("L&R"), held-to-maturity ("HTM"), and available-for-sale ("AFS") financial assets. Note 2.4(f)(A) sets out the details of accounting policies for classification and measurement of financial assets under MFRS 139.

From 1 January 2019, the new accounting policies for classification and measurement of financial assets under MFRS 9 are set out in Note 2.4(f)(B).

Classification of the Group's and of the Company's financial assets consisting of trade receivables, other receivables, amounts owing by subsidiary companies and cash and cash equivalents that have previously been classified as loans and receivables based on MFRS 139 are now classified as and continue to be measured at amortised cost after adoption of MFRS 9.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.1 Basis of preparation (Cont'd)

Adoption of MFRS 9 "Financial Instruments" (Cont'd)

Impairment

Until 31 December 2018, impairment of loan and receivables and AFS financial assets is assessed based on the incurred loss model. Note 2.4(f)(A)(iii) set out the details of accounting policies for impairment of financial assets under MFRS 139.

From 1 January 2019, the Group and the Company apply the expected credit loss model to determine impairment on investment in debt instruments that are measured at amortised cost and at fair value through other comprehensive income ("FVOCI"). The new accounting policies for impairment under MFRS 9 are set out in Note 2.4(f)(B)(iv).

(a) Expected credit loss allowance for impairment of financial assets

The Group and the Company has financial assets that are subject to the expected credit loss impairment model under MFRS 9.

Trade receivables and contract assets

For all trade receivables and contract assets that do not contain significant financing components, the Group and the Company apply the MFRS 9 simplified approach which is to measure the loss allowance at an amount equal to lifetime expected credit losses at initial recognition and throughout its life. This resulted in the recognition of additional loss allowance for trade receivables and contract assets on 1 January 2019.

Amounts owing by subsidiary companies

Amounts owing by subsidiary companies that are repayable on demand and interest-free are classified as amortised cost in the Company's financial statements because the Company's business model is to hold and collect the contractual cash flows and those cash flows represent solely payments of principal and interest. The Company applied the general 3-stage approach when determining ECL for the amounts owing by subsidiary companies.

No additional loss allowance is recognised on the amounts owing by subsidiary companies upon adoption of MFRS 9 as all strategies indicate that the Company could fully recover the outstanding balance of the amounts owing by subsidiary companies.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.1 Basis of preparation (Cont'd)

Adoption of MFRS 9 "Financial Instruments" (Cont'd)

The impact of the changes in accounting policies on the Group and the Company as at 1 January 2019 are as follows:

Group	Financial assets at amortised cost* RM	Contract assets RM	Accumulated losses RM
Balance as at 31 December 2018	7,367,559	10,418,654	(41,809,550)
Allowance for expected credit loss impairment of financial assets	(105,057)	(270,884)	(375,941)
Balance as at 1 January 2019 (after adoption of MFRS 9)	7,262,502	10,147,770	(42,185,491)

* Amortised cost category based on MFRS 139 includes financial assets classified under loans and receivables.

Adoption of MFRS 15 "Revenue from Contracts with Customers"

The Group and the Company applied MFRS 15 which is applied retrospectively from 1 January 2019. This Standard establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Under this Standard, revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of this Standard results in changes in accounting policies for revenue recognition, and has no material financial impact other than the disclosures made in the Group's and the Company's financial statements.

Adoption of MFRS 16 "Leases"

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 Leases are no longer required. MFRS 16 introduces a single accounting model, requiring the lessee to recognise the right-of-use of the underlying lease asset and the present value of future lease payments, discounted using the lessee's incremental borrowing rate.

The adoption of this Standard results in changes in accounting policies for lease recognition, and has no material financial impact other than the disclosures made in the Group's and the Company's financial statements.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.1 Basis of preparation (Cont'd)

Accounting standards, amendments to accounting standards, IC Interpretations and amendments to IC interpretations that are applicable for the Group and the Company in the following periods but are not yet effective:

Annual periods beginning on/after 1 January 2020

- Amendments to References to the Conceptual Framework in MFRS Standards:
    - Amendments to MFRS 2, "Share Based Payments"
    - Amendments to MFRS 3, "Business Combinations"
    - Amendments to MFRS 6, "Exploration for and Evaluation of Mineral Resources"
    - Amendments to MFRS 14, "Regulatory Deferral Accounts"
    - Amendments to MFRS 101, "Presentation of Financial Statements"
    - Amendments to MFRS 108, "Accounting Policies, Changes in Accounting Estimates and Errors"
    - Amendments to MFRS 134, "Interim Financial Reporting"
    - Amendments to MFRS 137, "Provisions, Contingent Liabilities and Contingent Assets"
    - Amendments to MFRS 138, "Intangible Assets"
    - Amendments to IC Interpretation 12, "Service Concession Arrangements"
    - Amendments to IC Interpretation 19, "Extinguishing Financial Liabilities with Equity Instruments"
    - Amendments to IC Interpretation 20, "Stripping Costs in the Production Phase of a Surface Mine"
    - Amendments to IC Interpretation 22, "Foreign Currency Transactions and Advance Considerations"
    - Amendments to IC Interpretation 132, "Intangible Assets- Web Site Costs"

- Amendments to MFRS 3, "Business Combinations" (Definition of a Business)

- Amendments to MFRS Standards arising from Definition of Material:
    - Amendments to MFRS 101, "Presentation of Financial Statements"
    - Amendments to MFRS 108, "Accounting Policies, Changes in Accounting Estimates and Errors"

- Amendments to MFRS Standards arising from Interest Rate Benchmark Reform:
    - Amendments to MFRS 7, "Financial Instruments: Disclosures"
    - Amendments to MFRS 9, "Financial Instruments"
    - Amendments to MFRS 139, "Financial Instruments: Recognition and Measurement"

Annual periods beginning on/after 1 January 2021

- MFRS 17, "Insurance Contracts"

Effective date yet to be determined by the Malaysian Accounting Standards Board

- Amendments to MFRS 10 and MFRS 128, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.1 Basis of preparation (Cont'd)

The above accounting standards, amendments to accounting standards and interpretations which may have a significant impact to the financial statements are as follows:

Annual periods beginning on/after 1 January 2020

<u>Amendments to References to the Conceptual Framework in MFRS Standards</u>

The Malaysian Accounting Standards Board has issued a revised Conceptual Framework for Financial Reporting and amendments to fourteen MFRS Standards.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful information are limited, but with improved wordings to give more prominence to the importance of providing information needed to assess the management's stewardship of the entity's economic resources.

<u>Amendments to MFRS Standards arising from Definition of Material</u>

The Amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

The impact of the above is still being assessed. Aside from the above mentioned, the adoption of the accounting standards, amendments to accounting standards and IC interpretations, are not expected to have significant impact to the financial statements of the Group and the Company.

2.2 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(a) Revenue from construction activities

The Group recognises construction revenue and costs by reference to the progress towards complete satisfaction of that performance obligation at the reporting date. This is measured based on the Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Significant judgement is required in determining:

- The completeness and accuracy of the budgets;
- The extent of the costs incurred.

Substantial changes in cost estimates can in future periods have, a significant effect on the Group's revenue recognised. In making the above judgement, the Group relies on past experience and work of specialists.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.2 Significant accounting estimates and judgements (Cont'd)

(b) Impairment of financial assets (effective until 31 December 2018)

The impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. This is determined based on the ageing profile, expected collection patterns of individual receivable balances, credit quality and credit losses incurred. Management carefully monitors the credit quality of receivable balances and makes estimates about the amount of credit losses that have been incurred at each reporting date. Any changes to the ageing profile, collection patterns, credit quality and credit losses can have an impact on the impairment recorded.

(c) Measurement of expected credit loss allowance for financial assets (effective from 1 January 2019)

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

(d) Impairment of non financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. When such indicators exist, recoverable amounts of the cash-generating unit are determined based on the value-in-use calculation. These calculations require the estimation of the expected future cash flows from the cash generating unit and a suitable discount rate is applied in order to calculate the present value of those cash flows.

2.3 Basis of consolidation

(i) Subsidiary companies

Subsidiaries are entities, including structured entities, controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group considers it has de-facto power over an investee when, despite not having the majority of voting rights, it has the current ability in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method on the acquisition date. The consideration transferred includes the fair value of assets transferred, equity interest issued by the Group and liabilities assumed. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.3 Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are recognised in the profit or loss as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Any difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities, any non-controlling interests and other components of equity related to the disposed subsidiary. Any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset depending on the level of influence retained.

(ii) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. The classification either as joint operations or joint ventures depends upon on the contractual rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

A joint venture is accounted for in the financial statements using the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and subsequently adjusted to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.4 Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in the financial statements, unless otherwise stated.

(a) Functional and presentation currency

Items included in the financial statements of the Group's entities are measured using the currency at the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and presentation currency.

(b) Investment in subsidiary companies

In the Company's separate financial statements, investments in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(c) Share capital

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(d) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial year in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in net in the profit or loss.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.4 Significant accounting policies (Cont'd)

(d) Property, plant and equipment (Cont'd)

(ii) Depreciation and impairment

Depreciation is recognised in the profit or loss on a reducing balance basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Plant and machinery	2 - 3 years
Motor vehicles	5 years
Furniture, fittings and equipment	10 years
Air conditioners and renovation	5 - 10 years

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at each reporting period, and adjusted as appropriate.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

(e) Leased assets

(A) Accounting policies applied until 31 December 2018

(i) Accounting by lessee

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to profit or loss on the straight line basis over the lease period.

(B) Accounting policies applied from 1 January 2019

(i) Accounting by lessee

Leases are recognised as right-of-use assets and a corresponding liability at the commencement date on which the leased asset is available for use by the Group and the Company.

In determining the lease term, the Group and the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension or termination options are taken into consideration in determining the lease term if it is reasonably certain that the lease will be extended or terminated.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.4 Significant accounting policies (Cont'd)

(e) Leased assets (Cont'd)

(B) Accounting policies applied from 1 January 2019 (Cont'd)

(i) Accounting by lessee (continued)

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs

Right-of-use assets are subsequently measured at cost, less accumulated depreciation and impairment loss. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company is reasonably certain that it will exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

(f) Financial assets

(A) Accounting policies applied until 31 December 2018

(i) Classification

The Group classifies its financial assets based on the purpose for which the financial assets were acquired at initial recognition in the following categories:

<u>Financial assets at fair value through profit or loss</u>

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, they are classified as non-current assets.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.4 Significant accounting policies (Cont'd)

(f) Financial assets (Cont'd)

(A) Accounting policies applied until 31 December 2018 (Cont'd)

(i) Classification (Cont'd)

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

<u>Held-to-maturity financial assets</u>

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

<u>Available for sale financial assets</u>

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.4 Significant accounting policies (Cont'd)

(f) Financial assets (Cont'd)

(A) Accounting policies applied until 31 December 2018 (Cont'd)

(iii) Subsequent measurement

Gains and losses

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. Impairment losses and exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividend income on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. For an equity instrument, a significant or prolonged decline in fair value below its cost is also considered objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortization) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.4 Significant accounting policies (Cont'd)

(f) Financial assets (Cont'd)

(A) Accounting policies applied until 31 December 2018 (Cont'd)

(iii) Subsequent measurement (Cont'd)

Impairment of financial assets (Cont'd)

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a financial asset measured at amortised cost and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(iv) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(B) Accounting policies applied from 1 January 2019

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL")

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.4 Significant accounting policies (Cont'd)

(f) Financial assets (Cont'd)

(B) Accounting policies applied from 1 January 2019 (Cont'd)

(ii) Recognition and initial measurement (Cont'd)

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(iii) Subsequent measurement

Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost

  Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

- FVOCI

  Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is recognised using the effective interest rate method in profit or loss.

- FVTPL

  Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.4 Significant accounting policies (Cont'd)

(f) Financial assets (Cont'd)

(B) Accounting policies applied from 1 January 2019 (Cont'd)

(iii) Subsequent measurement (Cont'd)

Equity instruments

The Group subsequently measures all its equity investments at fair value. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise, except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in OCI as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are recognised in OCI. Dividends from equity investments are recognised in profit or loss when the Group's and Company's right to receive payments is established.

(iv) Impairment

The Group and the Company assess expected credit losses associated with its debt instruments carried at amortised cost and at FVOCI on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Expected credit losses represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

For trade receivables and contract assets, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

In measuring expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking factors affecting the ability of the customers to settle the receivables.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.4 Significant accounting policies (Cont'd)

(f) Financial assets (Cont'd)

(B) Accounting policies applied from 1 January 2019 (Cont'd)

(iv) Impairment (Cont'd)

The Group and the Company define a financial instrument as default, which is aligned with the definition of credit-impaired, when the debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

- The debtor is in breach of financial covenants
- Concessions have been made by the Group and the Company related to the debtor's financial difficulty
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- The debtor is insolvent

Financial assets that are credit-impaired are assessed for impairment on an individual basis.

The Group and the Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.4 Significant accounting policies (Cont'd)

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

All financial liabilities are subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

When the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(l) Contingent assets and contingent liabilities

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.4 Significant accounting policies (Cont'd)

(m) Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(n) Foreign currencies

(i) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as qualifying cash flow hedges and qualifying net investment hedges, which are recognised in other comprehensive income.

Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss, except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income.

(ii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency of the consolidated financial statements are translated into the presentation currency as follows:

- assets and liabilities of foreign operations are translated at the closing rate prevailing at the reporting date;
- income and expenses for each statement of profit and loss and other comprehensive income presented are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- all resulting exchange differences are taken directly to other comprehensive income through the foreign exchange translation reserve.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.4 Significant accounting policies (Cont'd)

(n) Foreign currencies (Cont'd)

(ii) Foreign operations (Cont'd)

Goodwill and fair value adjustments arising on the acquisitions of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income through the foreign exchange translation reserve.

The closing exchange rates used for each unit of the main foreign currency in the Group is:

	2019 RM	2018 RM
UAE Dirhams (AED)	1.1142	1.1250

(o) Revenue and income recognition

(i) Revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and its customer has approved the contract and intend to perform their respective obligations, the Group's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group will collect the consideration to which it will be entitled to in exchange of those goods or services.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.4 Significant accounting policies (Cont'd)

(o) Revenue and income recognition (Cont'd)

(i) Revenue from contracts with customers (Cont'd)

Construction contracts

The provision of construction contracts services is recognised when the services are rendered and the customer simultaneously receives and consumes the benefits provided by the Group, and the Group has a present right to payment for the services.

Revenue for performance obligation that is not satisfied over time is recognised at a point in time at which the customer obtains control of the promised goods or services.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's effort or inputs to the satisfaction of the performance obligation (e.g. by reference to the construction costs incurred up to the end of the reporting period as a percentage of total estimated costs for complete satisfaction of the contract).

Incremental costs of obtaining a contract, if recoverable, are capitalised as contract assets and are subsequently amortised consistently with the pattern of revenue for the related contract.

(ii) Other revenue and income

Revenue and income from other sources are recognised as follows:

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(p) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in profit or loss in the period to which they relate.

2. Basis of Preparation and Significant Accounting Policies (Cont'd)

2.4 Significant accounting policies (Cont'd)

(q) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and current tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(r) Operating segments

Operating segments are reported in a manner consistent with the internal reporting and are regularly reviewed by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Executive Directors that makes strategic decisions.

(s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Differences between initial recognised amount and the redemption value are recognised in profit or loss over the period of the borrowings using the effective interest method.

3. Property, Plant and Equipment

Group	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and equipment RM	Air conditioners and renovation RM	Total RM
2019					
Cost					
At 1 January 2019	110,852	290,828	384,030	564,203	1,349,913
Foreign exchange adjustment	–	–	(354)	(30)	(384)
At 31 December 2019	110,852	290,828	383,676	564,173	1,349,529
Accumulated depreciation					
At 1 January 2019	101,925	201,975	323,253	171,089	798,242
Charge for the financial year	892	17,771	10,593	39,329	68,585
Foreign exchange adjustment	–	–	(354)	(30)	(384)
At 31 December 2019	102,817	219,746	333,492	210,388	866,443
Carrying amount					
At 31 December 2019	8,035	71,082	50,184	353,785	483,086

3. Property, Plant and Equipment (Cont'd)

Group	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and equipment RM	Air conditioners and renovation RM	Total RM
2018					
Cost					
At 1 August 2017	110,852	290,828	506,332	698,702	1,606,714
Written off	–	–	(120,969)	(134,388)	(255,357)
Foreign exchange adjustment	–	–	(1,333)	(111)	(1,444)
At 31 December 2018	110,852	290,828	384,030	564,203	1,349,913
Accumulated depreciation					
At 1 August 2017	100,452	166,848	403,092	175,801	846,193
Charge for the financial period	1,473	35,127	24,212	67,067	127,879
Written off	–	–	(102,718)	(71,669)	(174,387)
Foreign exchange adjustment	–	–	(1,333)	(110)	(1,443)
At 31 December 2018	101,925	201,975	323,253	171,089	798,242
Carrying amount					
At 31 December 2018	8,927	88,853	60,777	393,114	551,671

4. Investment in Joint Ventures

	Group 2019 RM	Group 2018 RM
At the beginning of the financial year/period	32,525,454	38,888,167
Share of loss during the financial year/period	(49,934)	(4,856,731)
Dividend from joint ventures	(5,106,330)	–
Exchange differences arising from translation of joint ventures	(1,141,180)	(1,505,982)
At the end of the financial year/period	26,228,010	32,525,454

(a) The details of the unincorporated joint ventures are as follows:

Name of joint ventures	Principal place of business/ Country of incorporation	Effective ownership and voting interest 2019 %	Effective ownership and voting interest 2018 %	Principal activities
IJM Construction Sdn. Bhd.- Sunway Builders Sdn. Bhd. - Zelan Holdings (M) Sdn. Bhd. - LFE Engineering Sdn. Bhd. Consortium ("ISZL")*	Abu Dhabi, United Arab Emirates	25	25	Designing, execution and completion of Zone C, Phase 1, Plot 1, Al Reem Island Development, consisting of five towers with an associated podium and villas
IJM Construction Sdn. Bhd. (Abu Dhabi Branch) - LFE Engineering Sdn. Bhd. (Abu Dhabi Branch) Joint Venture ("IJM-LFE")*	Abu Dhabi, United Arab Emirates	30	30	Execution and completion of Zone E2 Hotel Development, Phase 1, Plot 1, Al Reem Island

* Audited by a firm other than Messrs. Morison AAC PLT

4. Investment in Joint Ventures (Cont'd)

(b) Set out below are summarised financial information for the joint ventures which are accounted for using equity method.

(i) Summarised statement of financial position

	ISZL		IJM-LFE		TOTAL	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
Current assets	16,256,359	8,614,554	24,838,497	5,995,782	41,094,856	14,610,336
Current liabilities	(37,148,753)	(51,561,984)	(980,749)	(990,237)	(38,129,502)	(52,552,221)
Non-current assets	37,331,894	59,751,164	49,869,370	89,409,522	87,201,264	149,160,686
Net assets	16,439,500	16,803,734	73,727,118	94,415,067	90,166,618	111,218,801
Included in net assets are as follows:						
Cash and cash equivalents	4,236	334,362	5,060	10,759	9,296	345,121
Other current liabilities (including trade payables)	(37,148,753)	(51,561,984)	(980,749)	(990,237)	(38,129,502)	(52,552,221)

4. Investment in Joint Ventures (Cont'd)

(b) Set out below are summarised financial information for the joint ventures which are accounted for using equity method. (Cont'd)

(ii) Summarised statement of profit or loss and comprehensive income

	ISZL		IJM-LFE		TOTAL	
	1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM	1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM	1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM
Revenue	–	–	–	–	–	–
Other income	–	–	567,856	1,713,348	567,856	1,713,348
Expenses	(154,905)	(16,506,149)	(605,216)	(4,147,328)	(760,121)	(20,653,477)
Loss from continuing operations	(154,905)	(16,506,149)	(37,360)	(2,433,980)	(192,265)	(18,940,129)
Income tax expense	–	–	–	–	–	–
Loss/Total comprehensive loss from continuing operations	(154,905)	(16,506,149)	(37,360)	(2,433,980)	(192,265)	(18,940,129)
Expenses included above are as follows:						
Finance cost	(10,277)	(6,533,927)	(6,789)	(4,133,306)	(17,066)	(10,667,233)

4. Investment in Joint Ventures (Cont'd)

(b) Set out below are summarised financial information for the joint ventures which are accounted for using equity method. (Cont'd)

(iii) Reconciliation of summarised financial information

	ISZL		IJM-LFE		TOTAL	
	1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM	1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM	1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM
Net assets						
At beginning of the financial year/period	16,803,734	35,162,119	94,415,067	100,325,453	111,218,801	135,487,572
Loss/Total comprehensive loss for the financial year /period	(154,905)	(16,506,149)	(37,360)	(2,433,980)	(192,265)	(18,940,129)
Dividend from joint ventures	–	–	(17,021,100)	–	(17,021,100)	–
Foreign exchange differences	(209,329)	(1,852,236)	(3,629,489)	(3,476,406)	(3,838,818)	(5,328,642)
At end of the financial year /period	16,439,500	16,803,734	73,727,118	94,415,067	90,166,618	111,218,801
Interest in joint ventures (25%;30%)	4,109,875	4,200,934	22,118,135	28,324,520	26,228,010	32,525,454

5. Contract Assets

	Note	Group 2019 RM	2018 RM
Construction activities:			
- Amount due from contract customers	(i)	2,032,093	305,845
- Accrued billings	(ii)	10,999,248	10,112,809
		13,031,341	10,418,654
Less: Loss allowance	24	(364,877)	–
		12,666,464	10,418,654

(i) Amount due from contract customers

	Group 2019 RM	2018 RM
Contract costs incurred to date	13,711,513	17,335,665
Add: Attributable profits	4,322,856	3,292,063
	18,034,369	20,627,728
Less: Progress billings	(16,002,276)	(20,321,883)
	2,032,093	305,845

Included in the cost incurred during the financial year/period is:

	Note	Group 1.2.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM
Staff costs (excluding Directors)	21	188,337	489,331
Rental of equipment		1,580	–

(ii) Accrued billings

Accrued billings represent unbilled revenue for projects that have reached its billing milestone.

(iii) Unsatisfied long-term contracts

As at the end of the financial year, the aggregate amount of the transaction price allocated to the remaining unfulfilled performance obligations of the Group is RM11,597,822 (31.12.2018: RM272,855) which will be recognised as revenue when the relevant projects are completed, which are expected to occur over the next 24 months (2018: 12 months).

(iv) Included in contract assets of Group is an amount of RM3,759,712 (2018: RM3,603,252) owing by related parties with a common shareholder of the Group.

6. Trade Receivables

	Group	
	2019 RM	2018 RM
Trade receivables	10,560,290	4,221,077
Retention sum receivables	2,350,288	2,372,642
	12,910,578	6,593,719
Less: Loss allowance (Note 24)	(226,657)	–
	12,683,921	6,593,719

The Group's normal trade credit terms range from 60 to 90 days (2018: 60 to 90 days). Other credit terms are assessed and approved on a case by case basis.

Included in trade receivables and retention sum of the Group are amounts of RM3,861,459 and RM1,011,961 (2018: RM3,647,876 and RM1,011,961) owing by related parties with a common shareholder of the Group respectively. These amounts are subject to normal trade terms.

7. Other Receivables

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other receivables	407,883	594,071	–	–
Deposits	71,366	117,615	–	–
Prepayments	824,327	110,040	705,000	–
	1,303,576	821,726	705,000	–

Included in other receivables of the Group is an amount of RM158,721 (2018: RM160,364) owing by a related party with a common shareholder of the Group.

8. Share Capital

	Group / Company			
	Number of ordinary shares		Amount	
	2019 Units	2018 Units	2019 RM	2018 RM
Issued and fully paid				
At beginning of financial year/period	185,821,021	181,565,702	55,469,711	54,469,711
Issuance of shares:				
- Private placement	18,582,100	4,255,319	1,672,389	1,000,000
At end of financial year/period	204,403,121	185,821,021	57,142,100	55,469,711

During the financial year, the Company increased its total issued and paid up share capital from RM55,469,711 to RM57,142,100 by way of issuance of 18,582,100 ordinary shares of RM0.09 each share via a private placement.

The new shares issued rank pari-passu in all respect with the existing ordinary shares of the Company.

9. Reserves

	Note	Group 2019 RM	Group 2018 RM
Capital reserve	(a)	17,567,825	17,567,825
Foreign exchange translation reserve	(b)	1,849,269	2,099,481
Accumulated losses		(42,068,624)	(41,809,550)
		(22,651,530)	(22,142,244)

	Note	Company 2019 RM	Company 2018 RM
Capital reserve	(a)	17,567,825	17,567,825
Accumulated losses		(18,177,423)	(17,748,682)
		(609,598)	(180,857)

(a) The capital reserve arose from the capital reduction exercise in previous financial years, after offsetting the Company's accumulated losses on the date of the reduction of share capital became effective.

(b) The foreign exchange translation reserve comprises the exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's and the Company's presentation currency.

10. Trade Payables

	Group 2019 RM	Group 2018 RM
Trade payables	5,898,089	1,454,118
Retention sums payables	438,437	668,427
	6,336,526	2,122,545

11. Other Payables

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other payables	9,572,487	9,207,151	171,855	332,350
Amount owing to a Director*	2,581,641	4,815,328	–	–
Accruals	979,841	1,233,581	389,548	86,208
	13,133,969	15,256,060	561,403	418,558

Included in other payables of the Company is an amount of RM4,720,558 (2018: RM4,766,229) owing to joint ventures.

* This represents unsecured advances with finance cost of 0% ~ 5% (2018: 5%) and repayable on demand. The balances of the Company include principal and interest outstanding of RM2,581,641 and RM Nil (2018: RM4,397,460 and RM417,868) respectively.

12. Bank Borrowings

	Group 2019 RM	Group 2018 RM
Secured		
Bank overdrafts	–	242,060

Maturity of borrowings is as follows:

	Group 2019 RM	Group 2018 RM
Within one year	–	242,060

12. Bank Borrowings (Cont'd)

The weighted average effective interest rate is as follows:

	Group	
	2019 %	2018 %
Bank overdrafts	–	8.5%

Bank overdrafts are also secured by way of:

(i) Personal guarantee by a Director of the Company; and
(ii) Fixed charge over the investment property of the Group

13. Investment in Subsidiary Companies

(a) Investment in subsidiary companies

	Company	
	2019 RM	2018 RM
Unquoted shares, at cost	67,754,705	67,754,705
Less: Accumulated impairment losses	(42,178,619)	(42,178,619)
	25,576,086	25,576,086

(b) Details of the subsidiary companies are as follows:

Name of joint ventures	Principal place of business/ Country of incorporation	Effective ownership and voting interest		Principal activities
		2019 %	2018 %	
Direct holding:				
LFE Engineering Sdn. Bhd.	Malaysia	100	100	Provision of design and implementation of general and specialised electrical and mechanical engineering services and maintenance works as well as project management consultancy services
LFE Builder Sdn. Bhd.	Malaysia	100	100	Property investment
Lynex Construction Sdn. Bhd.	Malaysia	100	100	General contractors

13. Investment in Subsidiary Companies (Cont'd)

(b) Details of the subsidiary companies are as follows (Cont'd):

Name of joint ventures	Principal place of business/ Country of incorporation	Effective ownership and voting interest		Principal activities
		2019 %	2018 %	
Direct holding (Cont'd):				
LFE International Limited*	British Virgin Islands	100	100	Distribution of consumer electronics products
Teratai Megah Sdn. Bhd.	Malaysia	100	100	Building and general contractors
LFE Technology Sdn. Bhd.	Malaysia	100	100	Provision of specialised engineering services for extra low voltage electrical systems and instrumental and control systems for intelligent transportation systems applications such as expressway traffic management systems, tunnel plant and traffic management systems and automatic cash transfer systems
Indirect holding				
Subsidiary companies of LFE Engineering Sdn. Bhd.:				
LFE Engineering (JB) Sdn. Bhd.	Malaysia	100	100	Provision of general and specialised electrical and mechanical engineering services and maintenance works

* Not audited by Morison AAC PLT and is not required to be audited in its country of incorporation as the Company is dormant.

14. Amounts Owing by Subsidiary Companies

	Company 2019 RM	2018 RM
Amounts owing by subsidiary companies	30,812,761	30,130,169
Analysed as:		
Non-current assets	30,812,761	30,130,169

These amounts are unsecured, interest free and repayable on demand.

15. Revenue

	Group 1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM
Revenue recognised from contracts with customers:		
- Construction contract	18,855,668	13,751,766

Breakdown of revenue recognised from contracts with customers is as follows:

	Group 1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM
Major goods and services		
Construction contracts	18,855,668	13,751,766
Geographical market		
Malaysia	18,855,668	13,751,766
Timing of revenue recognition		
Over time	18,855,668	13,751,766

16. Finance Costs

	Group 1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM
Interest expense on:		
Borrowings	–	30,000
Bank overdrafts	16,123	31,556
Lease liability	–	1,545
Other advances	197,749	417,868
	213,872	480,969

Other advances represent interest expenses on amount owing to a Director.

17. Profit/(Loss) before Taxation

Profit/(Loss) before taxation is derived after charging/(crediting):

	Group		Company	
	1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM	1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM
Auditors' remuneration:				
- current year	112,120	198,032	42,000	65,000
- under provision in prior year	(1,000)	17,000	–	12,000
Depreciation of property, plant and equipment	68,585	127,879	–	–
Realised loss on foreign exchange	12,963	96,646	–	–
Unrealised loss on foreign exchange	70,831	82,152	–	–
Rental of assets:			–	–
- Short-term leases	165,903	287,565	–	–
Fair value adjustment on:				
- trade receivables	–	5,846	–	–
- trade payables	–	(42,857)	–	–
Interest income on unwinding discount on trade receivables	(37,807)	–	–	–
Interest expense on unwinding discount on trade payables	42,857	–	–	–
Property, plant and equipment written off	–	80,970	–	–
Impairment loss on:				
- contract assets	93,993	–	–	–
- trade receivables	121,600	–	–	–
Interest income	(35)	(392)	–	(384)
Gain on disposal of investment in associated companies	–	(66,005)	–	(224,500)
Gain on disposal of investment in subsidiary	–	(37,924)	–	–
Gain on disposal of investment property	–	(34,529)	–	–

18. Taxation

	Group 1.1.2019 to 31.12.2019 RM	Group 1.8.2017 to 31.12.2018 RM	Company 1.1.2019 to 31.12.2019 RM	Company 1.8.2017 to 31.12.2018 RM
Current tax:				
- Under provision in prior years	–	8,041	–	–

Income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit/(loss) for the financial year/period.

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group 1.1.2019 to 31.12.2019 RM	Group 1.8.2017 to 31.12.2018 RM	Company 1.1.2019 to 31.12.2019 RM	Company 1.8.2017 to 31.12.2018 RM
Profit/(Loss) before taxation	116,867	(10,563,993)	(428,741)	(15,630,928)
Share of results of associated companies and joint ventures, net of tax	49,934	4,854,398	–	–
Profit/(Loss) before taxation and share of results of associated companies and joint ventures	166,801	(5,709,595)	(428,741)	(15,630,928)
Taxation at statutory tax rate of 24% (2018: 24%)	40,032	(1,370,303)	(102,898)	(3,751,423)
Expenses not deductible for tax purposes	230,233	363,515	102,898	3,751,423
Income not subject to tax	–	(46,698)	–	–
Deferred tax assets not recognised	–	1,053,486	–	–
Utilisation of previously unrecognised deferred tax assets	(270,265)	–	–	–
Under provision of current tax in prior years	–	8,041	–	–
Taxation for financial year /period	–	8,041	–	–

18. Taxation (Cont'd)

Deferred tax assets of the Group have not been recognised in respect of the following:

	Group	
	1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM
Unutilised tax losses	42,160,918	43,324,985
Others	37,961	–
	42,198,879	43,324,985
Deferred tax assets not recognised at 24% (2018: 24%)	10,127,731	10,397,996

19. Earnings/(Loss) Per Share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the consolidated profit/(loss) for the financial year/period attributable to owners of the Company by the weighted average number of ordinary shares issued during the financial year/period.

	Group	
	1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM
Profit/(Loss) for the financial year attributable to owners of the Company	116,867	(10,572,034)
Weighted average number of ordinary shares in issue	198,209,088	185,320,395
Basic earnings/(loss) per share (sen)	0.06	(5.70)

(b) Diluted earnings/(loss) per share

The diluted earnings/(loss) per share is equal to basic earnings/(loss) per share as the Company does not have any dilutive potential ordinary shares as at financial year/period end.

20. Cash Flow Information

Reconciliation of liabilities arising from financing activities

	Lease liability RM	Term loans RM	Total RM
At 31 July 2017/1 August 2017	60,426	895,663	956,089
Net cash flows in financing activities	(60,426)	(895,663)	(956,089)
At 31 December 2018/1 January 2019/ 31 December 2019	–	–	–

21. Staff Costs

	Group	
	1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM
Staff costs (excluding Directors)	1,070,492	2,275,656
Less: Staff costs recognised in contract assets (Note 5)	(188,337)	(489,331)
	882,155	1,786,325

Included in the staff costs above are contributions made to Employees Provident Fund under a defined contribution plan for the Group amounting to RM95,810 (2018: RM185,175).

22. Related Parties Disclosures

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

22. Related Parties Disclosures (Cont'd)

(a) The significant related party transactions of the Group, other than key management personnel compensation, are as follows:

	Group		Company	
	1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM	1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM
Construction services rendered to a related company with a common shareholder of the Company - Shapadu Properties Sdn. Bhd.	–	(314,257)	–	–
Upgrading and refurbishment services rendered to a related company via a shareholder of the Company - Lim Thiam Leong Realty Sdn. Bhd.	–	(167,774)	–	–
Substation and building construction services to a related company via shareholder of the Company - Shapadu Energy Services Sdn. Bhd.	(264,765)	(370,145)	–	–
Waiver of debt on amount due from subsidiary companies	–	–	–	15,813,452
Finance cost charged by key management personnel	197,749	417,868	–	–

The outstanding balances arising from the above transactions have been disclosed in Notes 5, 6, 7 and 11

22. Related Parties Disclosures (Cont'd)

(b) Information regarding compensation of key management personnel is as follows:

	Group		Company	
	1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM	1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM
Short-term benefits for:				
- Directors				
- Fees	72,000	102,000	72,000	102,000
- Salaries	716,600	1,284,520	–	–
- EPF	76,184	136,720	–	–
- Others	151,008	231,193	39,000	59,000
	1,015,792	1,754,433	111,000	161,000
- Employees				
- Salaries	137,600	308,600	–	–
- EPF	16,512	37,032	–	–
- Others	23,606	30,242	–	–
	177,718	375,874	–	–
	1,193,510	2,130,307	111,000	161,000

23. Segment Information

Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

(a) Business segment

The reportable business segments of the Group comprise the following:

Construction, mechanical and electrical	:	Building construction works, mechanical and electrical works and other related services
Investment	:	Investment holding

Segment revenue, results and assets include items directly attributable to a segment and those where a reasonable basis of allocation exists. Inter-segment revenues are eliminated on consolidation.

Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

23. Segment Information (Cont'd)

(a) Business segment (Cont'd)

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Executive Directors. Segment total assets are used to measure the return of assets of each segment.

The total segment liabilities is measured based on all liabilities of a segment, as included in the internal management reports that are reviewed by the Group's Executive Directors.

31.12.2019	Construction, mechanical and electrical RM	Investment RM	Others RM	Consolidation adjustments/ eliminations RM	Total RM
Revenue:					
Total operating revenue	18,855,668	–	–	–	18,855,668
Inter segment	–	–	–	–	–
External operating revenue	18,855,668	–	–	–	18,855,668
Results:					
Impairment loss on trade receivables	(121,600)	–	–	–	(121,600)
Impairment loss on contract assets	(93,993)	–	–	–	(93,993)
Interest income	35	–	–	–	35
Interest income on unwinding discount on trade receivables	37,807	–	–	–	37,807
Interest expense on unwinding discount on trade payables	(42,857)	–	–	–	(42,857)
Depreciation of property, plant and equipment	(68,585)	–	–	–	(68,585)
Finance costs	(213,872)	–	–	–	(213,872)
Share of loss of joint ventures	(49,934)	–	–	–	(49,934)
Taxation	–	–	–	–	–
Segment result	594,697	(428,741)	(6,540)	(42,549)	116,867
Assets/Liabilities					
Segment assets	57,498,979	57,093,905	–	(60,606,573)	53,986,311
Include:					
Investment in joint ventures	26,228,010	–	–	–	26,228,010
Segment liabilities	53,013,244	561,403	929,656	(35,008,562)	19,495,741

23. Segment Information (Cont'd)

(a) Business segment (Cont'd)

31.12.2018	Construction, mechanical and electrical RM	Investment RM	Others RM	Consolidation adjustments/ eliminations RM	Total RM
Revenue :					
Total operating revenue	13,751,766	–	–	–	13,751,766
Inter segment	–	–	–	–	–
External operating revenue	13,751,766	–	–	–	13,751,766
Results:					
Interest income	8	384	–	–	392
Fair value adjustments on:					
- trade receivables	(5,846)	–	–	–	(5,846)
- trade payables	42,857	–	–	–	42,857
Gain on disposal of investment property	34,529	–	–	–	34,529
Gain on disposal of investment in subsidiary company	37,924	–	–	–	37,924
Gain on disposal of investment in associated companies	–	66,005	–	–	66,005
Depreciation of property, plant and equipment	(127,879)	–	–	–	(127,879)
Unrealised loss on foreig exchange	(82,152)	–	–	–	(82,152)
Property, plant and equipment written off	(80,970)	–	–	–	(80,970)
Finance costs	(480,969)	–	–	–	(480,969)
Share of profit of associated companies	–	2,333	–	–	2,333
Share of loss of joint ventures	(4,856,731)	–	–	–	(4,856,731)
Taxation	(8,041)	–	–	–	(8,041)
Segment results	4,060,952	(15,628,595)	(9,535)	1,005,144	(10,572,034)
Assets/Liabilities					
Segment assets	55,159,723	55,707,412	–	(59,893,757)	50,973,378
Include:					
Investment in joint ventures	32,525,454	–	–	–	32,525,454
Segment liabilities	50,571,908	418,558	923,116	(34,267,671)	17,645,911

23. Segment Information (Cont'd)

(b) Geographical segments

In determining the geographical segments of the Group, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets. The amount of non-current assets do not include financial instruments and deferred tax assets.

31.12.2019	Malaysia RM	United Arab Emirates RM	Consolidation adjustments/ eliminations RM	Total RM
Revenue	18,855,668	–	–	18,855,668
Non-current assets	483,086	26,228,010	–	26,711,096
31.12.2018				
Revenue	13,751,766	–	–	13,751,766
Non-current assets	551,671	32,525,454	–	33,077,125

(c) Major customers

The following are the major customers individually accounting for 10% or more of Group revenue for current year and prior year:

	Group 1.1.2019 to 31.12.2019 RM	1.8.2017 to 31.12.2018 RM
Customer A	–	12,860,179
Customer B	10,520,000	–
Customer C	7,514,369	–
	18,034,369	12,860,179

24. Financial Instruments

The table below provides an analysis of financial instruments and their categories:

	2019 Financial assets RM	2018 Loans and receivables RM
Group		
Financial assets		
Trade receivables	12,683,921	6,593,719
Other receivables	479,249	711,686
Cash and bank balances	621,254	62,154
	13,784,424	7,367,559

24. Financial Instruments (Cont'd)

The table below provides an analysis of financial instruments and their categories (Cont'd):

	2019 Financial assets and liabilities at amortised cost RM	2018 Loans and receivables/ Other financial liabilities RM
Financial liabilities		
Trade payables	6,336,526	2,122,545
Other payables	13,133,969	15,256,060
Bank borrowings	–	242,060
	19,470,495	17,620,665
Company		
Financial assets		
Amount owing by subsidiary companies	30,812,761	30,130,169
Cash and bank balances	58	1,157
	30,812,819	30,131,326
Financial liability		
Other payables	561,403	418,558

Financial risk management

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk of a financial loss to the Group if a counterparty of a financial asset fails to meet its contractual obligations. The Group's exposure to credit risk arises mainly from trade receivables and contract assets.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis through the review of trade receivables and contract assets ageing.

The maximum exposure to credit risk for the Group is the carrying amount of the financial assets shown in the statements of financial position.

24. Financial Instruments (Cont'd)

Financial risk management (Cont'd)

Credit risk (Cont'd)

The ageing analysis of the Group's trade receivables is as follows:

	Group 2019 RM	2018 RM
Neither past due nor impaired	4,336,634	2,372,642
Past due but not impaired:		
1 - 90 days past due but not impaired	4,725,000	637,502
91 - 180 days past due but not impaired	–	2,015,782
More than 1 year past due but not impaired	3,848,944	1,567,793
	8,573,944	4,221,077
	12,910,578	6,593,719

The Group's and Company's trade receivables of RM8,573,944 (2018: RM4,221,077) respectively were past due but not individually impaired. These relate to a number of independent customers for whom there is no recent history of default.

Movements on the Group's and the Company's loss allowance for impairment of trade receivables, other receivables and contract assets are as follows:

	Trade receivables RM	Contract assets RM	Total RM
2019			
At 1 January	–	–	–
Effect of adoption of MFRS 9 (Note 2.1)	105,057	270,884	375,941
	105,057	270,884	375,941
Charge during the financial year	121,600	93,993	215,593
At 31 December	226,657	364,877	591,534
Represented by:			
Lifetime expected credit loss impairment	226,657	364,877	591,534

24. Financial Instruments (Cont'd)

Financial risk management (Contd)

Credit risk (Cont'd)

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

The Group's trade receivables that are past due at the reporting date but not impaired are unsecured and there is a repayment schedule being drawn up between the parties to settle the balances within the next twelve months. These balances relate mainly from related parties with a common shareholder of the Group.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from trade and other payables and borrowings. The Group and the Company have delayed in meeting their operational obligation.

Based on the cash flow forecast for the next twelve months from the date of the financial statements, the Group's obligations are expected to be funded by cash inflow from successful completion of its existing contracts, the collection from the trade receivables, the repatriation of funds from its joint ventures, and the private placement as described in Note 27 to the financial statements. Significant assumptions and judgements are used in the preparation of the cash flow forecast.

The Board of Directors are of the opinion that the Group will be able to discharge its liabilities in the normal course of business over a twelve-month period from the date of the financial statements.

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on contractual undiscounted payments:

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Below 1 year RM
Group				
31.12.2019				
Trade payables	6,336,526	–	6,336,526	6,336,526
Other payables	13,133,969	–	13,133,969	13,133,969
	19,470,495		19,470,495	19,470,495
31.12.2018				
Trade payables	2,122,545	–	2,122,545	2,122,545
Other payables	15,256,060	–	15,256,060	15,256,060
Bank borrowings:				
Bank overdraft	242,060	8.50	242,060	242,060
	17,620,665		17,620,665	17,620,665

24. Financial Instruments (Cont'd)

Financial risk management (Contd)

Liquidity risk (Cont'd)

	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Below 1 year RM
Company				
31.12.2019				
Other payables	561,403	–	561,403	561,403
31.12.2018				
Other payables	418,558	–	418,558	418,558

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and cash flow and fair value interest rate risk that may affect the Group's financial position and cash flows.

(a) Foreign exchange risk

The Group is exposed to foreign exchange risk on advances from joint ventures that are denominated in a currency other than the respective functional currencies of Group's entities. Forward foreign currency contracts are used by the Group to reduce exposure to fluctuations in foreign currency risk.

Foreign currency risk arises from Group entities which have a Ringgit Malaysia functional currency.

Exposure to foreign currency risk

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period were as follows:

	Group UAE Dirhams RM
2019	
Other payables	
- Amount owing to joint ventures	(4,720,558)
2018	
Other payables	
- Amount owing to joint ventures	(4,766,229)

24. Financial Instruments (Cont'd)

Financial risk management (Contd)

Market risk (Cont'd)

(a) Foreign exchange risk (Cont'd)

Currency risk sensitivity analysis

The following shows the sensitivity of the Group's post-tax profit or loss to a reasonably possible change in the foreign currency exchange rate against the Group's functional currency ("RM"), with all other variables remain constant.

	Group Increase/(Decrease) profit or loss, net of tax	
	2019 RM	2018 RM
AED/RM – Strengthening 5%	(179,381)	(181,117)

A 5% weakening of RM against the above currency at the end of the reporting period would have had equal opposite effect on the above currency to the amount shown above, on the basis that all other variables remain constant.

(b) Cash flow and fair value interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in interest rates. The Group's variable rate borrowings are exposed to a change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The Group manages such exposure by maintaining a prudent mix of fixed and floating rate borrowing facilities.

The interest rate profile of the Group's and the Company's significant interest- bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

Group	31.12.2019 RM	31.12.2018 RM
Financial liabilities:		
Floating rate instrument:		
- Bank overdrafts	–	242,060

Sensitivity on floating rate instrument

As at end of financial period/year, if interest rate of floating rate instruments had been lower by 100 basis point ("bp") with other variables held constant, this will result in post tax increases of RM Nil (2017: RM1,839) in profit or loss and other comprehensive income of the Group.

Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

25. Capital Management

The objective of the Group on capital management is to ensure that it maintains a strong credit rating and safeguard the Group's ability to continue as a going concern, so as to support its business, maintain the market confidence and maximise shareholder value.

The Group monitors the capital using gearing ratio, which is net borrowings divided by equity attributable to owners of the Company. The Group's policy is to keep the gearing ratio within reasonable levels.

	Group	
	2019 RM	2018 RM
Bank borrowings	–	242,060
Cash and bank balances	(621,254)	(62,154)
Net (cash)/borrowings	(621,254)	179,906
Equity attributable to owners of the Company	34,490,570	33,327,467
Gearing ratio	N/A	0.005

There were no changes to the Group's approach to capital management during the financial year.

26. Litigation

(i) Arbitration between the Company's subsidiary, Teratai Megah Sdn. Bhd. ("Teratai Megah") and ODS Builder Sdn. Bhd. ("ODS Builder")

On 23 January 2013, Teratai Megah entered into a contract with ODS Builder whereby Teratai Megah appointed ODS Builder as the subcontractor for a project pertaining to the construction of a proposed service apartment consisting of 96 units including the relevant infrastructure and particularised facilities located at Bandar Petaling Jaya ("the Project").

However, the Project was terminated by the main customer of the Project, Urban Hallmark on 10 July 2013, and consequently the contract between Teratai Megah and ODS Builder was also terminated.

As a result of the termination, ODS Builder is disputing with Teratai Megah for its final claim for work done amounting to RM1,458,668, and both parties have agreed to proceed with the matter by way of arbitration.

On 8 July 2019, ODS Builder requested for the commencement of the arbitration and pursuant to letter from Asian International Arbitration Centre ("AIAC"), the arbitration has been registered pursuant to Rule 2 of the AIAC Fast Track Arbitration Rules 2018 and commenced on 8 July 2019.

On 7 November 2019, Teratai Megah appointed an external expert, JKW Consultancy Sdn Bhd(""JKW""), to provide commercial and contractual advisory services namely, to review, assess and quantify damages caused by ODS Builder and uncertified work completed by ODS Builders arising from the termination.

On 10 January 2020, The Quantum Report prepared by JKW have been submitted to AIAC. Teratai Megah's Witness Statement by Mr Tony Kok Tong Yong have been submitted to AIAC on 12 February 2020 and also received a copy of ODS Builder's Witness Statement by Mr Ong Di Seng.

The next hearing will be held on 11, 12 and 26 of June 2020; and 5 and 6 August 2020.

26. Litigation (Cont'd)

(ii) Statement of claim by Falconer Chester Hall (UK) Limited ("Falconer UK") and Falconer Chester Hall (Asia) Sdn. Bhd.("Falconer Asia") (collectively as "Falconer") against the Company's subsidiary, LFE Engineering Sdn. Bhd. ("LFE")

On 4 February 2014, Falconer UK entered into an Architectural Consultancy Agreement with Shapadu Corporation Sdn. Bhd. ("SCSB") to provide architectural services for the City Village Development Project in Prescint 2, Putrajaya relating to the proposed development of a new corporate headquarters for SCSB, a hotel, residential, retail, leisure and associated facilities (the Project).

On 30 November 2014, Falconer UK and SCSB entered into the Deed and Novation agreement to novate, transfer and convey unto Falconer Asia all of the Falconer UK's rights, title, interest, benefits in, to or under the Architectural Consultancy Agreement.

On 15 Jan 2016, SCSB appointed LFE as the Project Management Consultant for the Project by way of a letter of appointment.

On 30 August 2016, Falconer, SCSB and LFE entered into an agreement, of which LFE shall manage, coordinate and supervise and make the necessary payment to Falconer on behalf of SCSB subject to at all times that SCSB has first made the payment to LFE.

However, SCSB decided to terminate the Project on 31 May 2017, and consequently, the architectural consultancy service provided by Falconer was also terminated.

As a result of the termination, Falconer filed a statement of claim against LFE dated 2 October 2019 for the final claim of work done amounting to RM2,863,090.28 based on the estimated total construction cost.

On 15 November 2019, LFE filed a defence statement against Falconer's claim and an application to strike out the suit as Falconer is not registered as an architect as mandated under the Architects Act 1967 at all material times, hence they are not entitled in law to render the architectural consultancy services or to describe themselves as an architect.

Concurrently, LFE filed third-party proceeding against SCSB to claim full indemnity against Falconer's claim and cost of this action on 15 November 2019.

(iii) Statement of claim by Ms. Juliana Quah Kooi Hong ("Ms. Juliana") against the Company's subsidiary, LFE Engineering Sdn. Bhd. ("LFE")

On 5 June 2020, LFE received a Writ and Statement of Claim from Messrs Ghandi, the solicitors for Ms. Juliana.

The Writ and Statement of Claim against the LFE was due to LFE had failed to pay Ms. Juliana's outstanding salary, allowances and claims.

Pursuant to the Writ and Statement of Claim, Ms. Juliana claimed the following from the LFE:

i. Total outstanding amount of RM380,953.15;
ii. Interest rate at 5% per annum on RM380,953.15 calculated from date of the Writ until full utilisation;
iii. An order that LFE make payments on the sums due to be paid to the statutory bodies namely Lembaga Hasil Dalam Negeri ("LHDN") and Kumpulan Wang Simpanan Pekerja ("KWSP") within 1 month from the date of the Judgement;
iv. Legal costs; and
v. Such further and/or other relief as the Honourable Court deems fit.

As at 31 December 2019, LFE has accrued Ms. Juliana's outstanding salary, allowances and claim entitlements up to 31 December 2019 in other payables.

LFE is seeking the necessary legal advice to resolve and/or defend against the legal suit.

27. Subsequent Events

Private Placement

Bursa Securities had, vide its letter dated 4 February 2020, approved the listing and quotation of up to 40,880,624 Placement Shares to be issued pursuant to the Proposed Private Placement, subject to the following conditions:

i. LFE and UOBKH must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities pertaining to the implementation of the Proposed Private Placement;
ii. LFE and UOBKH to inform Bursa Securities upon the completion of the Proposed Private Placement; and
iii. LFE to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed.

On 25 March 2020, the issue price for the Private Placement was fixed at RM0.079 per Placement Share.

On 1 April 2020, 20,000,000 new LFE Shares issued pursuant to the Private Placement were listed and quoted on the Main Market of Bursa Securities.

28. Contingent Liability

A claim for RM1,458,668 was lodged by a sub-contractor against a subsidiary of the Company in respect of a litigation as disclosed in Note 26(i) to the financial statements.

The subsidiary is disputing the claim by way of arbitration and from the legal advice obtained, the probability of the subsidiary's obligation to pay the sub-contractor is subject to the outcome from next hearing, which is expected to be held on 11, 12 and 26 of June 2020; and 5 and 6 August 2020. Moreover, the quantum of the settlement cannot be measured reliably as at to date.

Hence, the Directors are of the view that the claim to be disclosed as contingent liability on the ground that the probability of the settlement is possible but not remote.

29. Date of Authorisation for Issue

The financial statements of the Group and of the Company for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 10 June 2020.

ANALYSIS OF SHAREHOLDINGS
as at 29 May 2020

Issued Paid-up Capital	:	RM58,722,100
Number of Issued Shares	:	224,403,121
Class of Shares	:	Ordinary shares
Voting Rights	:	One (1) vote per ordinary share held

ANALYSIS OF SHAREHOLDINGS

Size of Holdings	No of Shareholders	%	Shareholdings	%
Less than 100	10	0.83	400	0.00
100 – 1,000	317	26.22	164,750	0.07
1,001 – 10,000	352	29.12	2,073,500	0.93
10,001 – 100,000	406	33.58	16,085,342	7.17
100,001 to less than 5% of issued share capital	119	9.84	92,549,359	41.24
5% and above of issued share capital	5	0.41	113,529,770	50.59
Total	1,209	100.00	224,403,121	100.00

Substantial Shareholders
As per the Register of Substantial Shareholders

	Shareholdings			
Name	**Direct**	**%**	**Indirect**	**%**
LIEW KIAM WOON	17,188,008	7.66	8,529,958[(a)]	3.80
LIEW TEOW WOON	11,297,845	5.03	8,529,958[(a)]	3.80
SHAPADU CAPITAL SDN BHD	44,177,250	19.69	–	–
SHAPADU CORPORATION SDN BHD	–	–	44,177,250[(b)]	19.69
DAISY BLISS SDN BHD	11,666,667	5.20	–	–
MOHD ZULKIFLEE BIN SHAFIE	–	–	11,666,667[(c)]	5.20
SHARIZAN BINTI SHAFIE	–	–	11,666,667[(d)]	5.20
NG KOK KHENG	29,200,000	13.01	–	–

Notes:-

[(a)] *Deemed interested pursuant to Section 8 of the Companies Act, 2016 ("the Act").*
[(b)] *Deemed interested by virtue of its shareholding in the wholly-owned subsidiary of Shapadu Capital Sdn Bhd pursuant to Section 8 of the Act.*
[(c)] *Deemed interested by virtue of his shareholding in Daisy Bliss Sdn Bhd pursuant to Section 8 of the Act.*
[(d)] *Deemed interested by virtue of her shareholding in Daisy Bliss Sdn Bhd pursuant to Section 8 of the Act.*

Directors' Interests in Shares
As per the Register of Directors' Shareholdings

	Shareholdings			
Name	**Direct**	**%**	**Indirect**	**%**
LIEW KIAM WOON	17,188,008	7.66	8,529,958(a)	3.80
KOK TONG YONG	32,500	0.01	–	–
JULIANA QUAH KOOI HONG (Resigned on 9 June 2020)	–	–	–	–
GOH CHEE HOE (Appointed on 30 October 2019)	–	–	–	–
TUNKU AZLAN BIN TUNKU AZIZ	–	–	–	–
LOO THIN TUCK	–	–	–	–
TNG LING LING (Appointed on 30 October 2019)	–	–	–	–

Notes:-

[(a)] Deemed interested pursuant to Section 8 of the Act.

THIRTY (30) LARGEST SHAREHOLDERS

No.	Name	Shareholdings	%
1.	SHAPADU CAPITAL SDN BHD	44,177,250	19.69
2.	NG KOK KHENG	29,200,000	13.01
3.	LIEW KIAM WOON	17,188,008	7.66
4.	DAISY BLISS SDN BHD	11,666,667	5.20
5.	LIEW TEOW WOON	11,297,845	5.03
6.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIERRA BONUS SDN BHD	10,000,000	4.46
7.	NG NGOON WENG	9,102,100	4.06
8.	LIEW CHEE WOON	8,705,067	3.88
9.	LIEW MEOW NYEAN REALTY SDN BERHAD	8,529,958	3.80
10.	EUGENE LEE CHIN JIN	5,635,319	2.51
11.	RESOLUTE ACCOMPLISHMENT SDN BHD	4,500,000	2.01
12.	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR ALAN RAJENDRAM A/L JEYA RAJENDRAM (SS2)	4,000,000	1.78
13.	ON HAI SWEE	2,371,468	1.06
14.	LIM TIONG LAY	2,000,000	0.89
15.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIN KOK WAI	1,985,000	0.88
16.	MAYBANK NOMINEES (TEMPATAN) SDN BHD REMEDIAL MANAGEMENT FOR MALAYAN BANKING BERHAD (260488)	1,655,397	0.74
17.	LEE KUAN CHEN	1,300,500	0.58
18.	CHIA CHIN KUAN	1,281,300	0.57
19.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN HOOI LENG	1,210,000	0.54
20.	LEE BOON KIAN	1,100,000	0.49

THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

No.	Name	Shareholdings	%
21.	THONG KOK KEONG	1,018,000	0.45
22.	KEKAL JAYA VENTURES SDN BHD	1,000,000	0.45
23.	LEE NYEK	974,900	0.43
24.	NG ZI XIAN	941,900	0.42
25.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KENG AIK (6000665)	833,300	0.37
26.	YEE CHOON KIAT	781,100	0.35
27.	MOHD SAFIAN BIN MOHD SALLEH	738,500	0.33
28.	SHIRELY WONG	720,000	0.32
29.	TASEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHOY SOOK KUEN	714,000	0.32
30	CHANG LAU HOI @ CHANG SOW LAN	710,549	0.32
		185,338,128	82.60

Since 1967

LFE Corporation Berhad
Registration No.: 200201011680 (579343-A)
(Incorporated in Malaysia)

Suite 11.01, 11th Floor, Campbell Complex
98, Jalan Dang Wangi, 50100 Kuala Lumpur, Malaysia

Tel : 603 2694 8899 **Fax :** 603 2694 8833

www.lfe.com.my